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Austria Sch30	Indonesia Rp3100	Pakistan Rs35			
Bahrain Din0.900	Iran Rls210	Philippines Pso40			
Belgium BFr60	Israel Shk4.50	Poland Zl 15,000			
Cyprus C£1.00	Italy L2200	Portugal Esc175			
Czech Kcs35	Jordan JD1.25	Qatar QR10.00			
Denmark DKr13	Korea Won 2000	S Arabia SR9.00			
Egypt E£3.50	Kuwait Fils.500	Singapore S$4.10			
Finland FM10	Lebanon L£1,000	Spain Pta175			
France FFr8.00	Lux LFr60	Sweden SKr13			
Germany DM3.00	Morocco MDh10	Switz SFr2.70			
Greece Dr200	Neth Fl 3.50	Thailand Bht50			
Hungary Ft145	Nigeria Naira15	Tunisia Din0.900			
Iceland IKr180	Norway NKr13.00	Turkey L5000			
India Rs20	Oman OR1.20	UAE Dh8.00			

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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Friday November 1 1991

D 8523A

GERMAN ENERGY
Minister generates heat in debate
Page 2

World News

Legislation for new UK local tax outlined

Legislation to replace the unpopular local community charge – or poll tax – with a new council tax from April 1993 was promised in Queen Elizabeth's speech to the state opening of the British parliament in London. The speech set out the legislative programme for the last parliament before the general election due next year. Page 12

Renault peace move
A government-appointed mediator began talks with both sides to try to resolve the two-week pay strike at Renault, the French state-owned carmarker. Page 2

Japanese in-fighting
The Japanese political equivalent of the bar brawl has erupted since Kiichi Miyazawa was chosen to become his country's next leader. Factions and individuals are slugging it out over seats in the new cabinet. Page 24

Kohl's son injured
Peter Kohl, 26, son of German Chancellor Helmut Kohl, was in a critical condition after his car skidded off a motorway near Rovigo, in northern Italy.

Dalai Lama's visit off
Tibet's exiled spiritual leader, the Dalai Lama, cancelled plans to attend a religious symposium in Japan later this month for health reasons.

Queensland drops case
Former Queensland premier Sir Joh Bjelke-Petersen will *not be retried on perjury* charges, the state's special prosecutor said. Page 6

Car pollution curbs
European carmakers will face tough pollution controls if British proposals put to ministers and officials from 25 European countries in Prague are implemented. Page 2

New US troop role
Leading Democrats have drawn up plans to give President George Bush authority to send US troops to the Soviet Union as part of an emergency airlift of humanitarian aid this winter. Page 2

Train crash kills 40
At least 40 people were killed when a passenger train was derailed near Bangalore in southern India after hitting *a huge boulder swept on to* the track by a landslide during monsoon rains.

Better friends
Two decades of hostility between China and Vietnam are expected to end next week at a summit in Beijing. Diplomatic relations may be *fully* restored. Page 6

Aids charges filed
French haemophiliacs who received Aids-contaminated blood transfusions said they had filed charges of crimes against humanity and poisoning against 13 officials, including three former prime ministers.

Joseph Papp dies
Producer Joseph Papp, who brought A Chorus Line and Hair to Broadway and created New York's free Shakespeare in the Park summertime festival, died of cancer, aged 70.

Business Summary

Nissan Motor declines 56.8% to an interim Y35bn

Nissan Motor, Japanese carmaker, reported a 56.8 per cent decline in pre-tax profits to Y35.4bn ($270.2m) in the six *months to the end of September*, as a result of sluggish sales and rising operating costs.

Atsushi Muramatsu, executive vice-president, said capital spending plans would be kept at Y260bn this year. Spending on research and development *was expected to rise sharply* in the second half. Page 25

UK economy was "on the road to recovery" and the recent *rise in business confidence* was fully justified, Norman Lamont, the chancellor, declared last night. Page 12; Editorial comment, Page 22; Lex, Page 24

GERMAN cabinet applied the brakes to runaway public spending with an agreement to cut federal subsidies next year by 8 per cent. Page 24

IMPERIAL Chemical Industries, *UK chemicals group*, warned there was little sign of an economic upturn as the company posted a 22 per cent increase in third-quarter pre-tax profits to £196m ($337m). Page 25; Lex, Page 24

JAPAN'S leading heavy industrial *companies reported generally* higher sales for the first half to end September, but said that currency fluctuations and erratic orders for ships had hurt pre-tax profits. Page 27

NEWS Corporation chief executive Rupert Murdoch confirmed that he plans to raise at least $700m in equity and long-term debt. Page 29

DAISHOWA Paper, Japanese *paper producer headed by* Ryoei Saito, the controversial art collector, announced a pre-tax loss of Y3.7bn ($28m) for the first half to September. Page 27

AMERICAN Brands, Connecticut-based tobacco and consumer products company, agreed to pay $372.5m for the trademarks of seven spirits brands owned by Canada's Seagram Company. Page 26

JAPAN Airlines, the country's principal international carrier, saw an 84.2 per cent plunge in interim pre-tax profits to Y8.78bn ($67m). Page 27

BREMEN bourse has postponed a decision on whether to introduce a new electronic trading system set up by independent brokers which would compete directly with a system *run by Germany's big banks.* Page 28

LARGE US insurance companies continued to roll out *third-quarter earnings* improvements, but laced the relatively encouraging news with warnings that the domestic property-casualty business remains difficult. Page 27

NORSK HYDRO Aluminium, a unit of Norsk Hydro, Norway's *biggest privately-quoted* company, became the latest company to cut production in the face of mounting world stocks of aluminium. Page 32

AID: Leading industrial countries have tentatively agreed new rules to curb abuse of aid to buy market share for their exports to the developing world. Page 3

US seeks to stimulate bank lending

Bush intensifies fight for lower interest rates

By Lionel Barber and Michael Prowse in Washington

THE White House yesterday intensified its campaign for lower interest rates amid fears that US economic weakness is *harming President George* Bush's re-election prospects.

The Administration also made clear its determination to stimulate bank lending to boost the economy. It is concerned that the "credit crunch" is a big obstacle to growth.

It plans to bring Federal bank officials from across the country for talks in Washington as part of its efforts to stimulate lending. An administration official said the regulators, who play a crucial role in determining how freely banks across the country may lend money, were imposing excessively *stringent conditions.*

Last week, the White House was alarmed by a poll which showed a sharp decline in public confidence in an early economic recovery. For the first time since he took office, Mr Bush saw support for a second term dip below 50 per cent.

Mr Marlin Fitzwater, Mr Bush's chief spokesman, said the Federal Reserve had lowered interest rates by a quarter *point to 5 per cent on Wednes*day and "there could be other drops to come."

It is rare for the White House to comment on monetary policy for which the Fed has sole responsibility and it has never commented on its detailed market operations.

The Fed allowed its key funds rate to drift lower on Wednesday, confusing financial markets.

Economic advisers to the President are examining a "growth package" of fiscal measures to revive the US economy

The White House is willing to negotiate with Democrat congressional leaders on its contents but has ruled out measures that would raise borrowing and break last year's bipartisan budget deficit reduction agreement.

Mr Alan Greenspan, Fed chairman, told bankers in Rhode Island this week that the credit crunch was "utterly *unprecedented". The US eco*nomic recovery was "demonstrably sluggish," he said.

Some US officials responsible for economic policy are nervous that a public campaign to pressure the Fed could backfire. But Mr Fitzwater's statements appeared to be aimed at paving the way for an early discount rate cut to stimulate the flagging US recovery.

A package of measures on *the credit crunch unveiled only* three weeks ago was described as ineffectual by bankers and economists. Concern now centres on the inexperience of bank examiners, many of whom are in their late 20s and have not witnessed a recession in their working lives.

The administration's anxiety about the economy reflects a growing realisation that the US is not experiencing a normal post-war business cycle. Housing and cars are not providing their normal stimulus, while the explosion in debt during the 1980s has crippled the banking system, according to a US official.

Rumours swept the financial markets yesterday about new measures to reduce banks' reserve requirements, but senior officials have concluded that to ease further would be futile. The reason is that banks' level of reserves is close to the minimum needed to handle the huge flow of daily *transactions.*

The problem is not just the need to maintain fiscal discipline. When congressional pressure for tax cuts erupted two weeks ago, Wall Street investors took fright, pushing up bond yields.

As a result, one US official said, a conventional Keynesian stimulus would be counter-productive because it would almost certainly lead to a rise *in long-term interest rates.*

However, the administration still believes that capital gains tax cuts would raise revenue and could leave scope for a compromise with Democrats involving modest cuts in taxes on working families.

Palestinian spokeswoman Hanan Ashrawi whispers to an adviser at a press conference

Foes stake out positions at Mideast conference

By Victor Mallet, Hugh Carnegy, Tony Walker and Peter Bruce in Madrid

CONFRONTATION replaced compromise at the Middle East peace conference yesterday as Israel and its Arab foes staked out sharply conflicting positions.

Mr Farouq al-Sharaa, the Syrian foreign minister, insisted in the day's most hard-line speech that Israel should withdraw from "every inch" of the Golan Heights, the West Bank, *Arab east Jerusalem and* the Gaza Strip.

"The continuing intransigent Israeli position, which is bereft of any justification, is the one that places the world on the brink of incalculable dangers and prevents the region from enjoying peace," he said in his address in Madrid's royal palace.

Syria, the Palestinians, Jordan and Lebanon yesterday all demanded the implementation of UN resolutions requiring Israel to withdraw from the territories it won in the 1967 Arab-Israeli war and from south Lebanon.

The second day of the gathering saw each side set out negotiating positions representing its maximum demands and express bitter disappointment at the views of the other. There were no threats of a walk-out, however, and bilateral talks between Israel and its neighbours are expected to open in Madrid early next week.

In an earlier address replete with references to Jewish history, Mr Yitzhak Shamir, the Israeli prime minister, said territory was not the issue. He warned of an impasse if the talks focused primarily on land, although he refrained from his customary outright rejection of territorial concessions.

He urged the Arab states to accept bilateral and multilateral talks with Israel. "We

Continued on Page 24

Middle East conference, Page 4

Ex-ISC executives accused of Iraqi arms deals

By Alan Friedman and Tom Flannery in Philadelphia

FORMER executives of International Signal and Control, the Pennsylvania company acquired in 1987 by Ferranti, the UK-based electronics group, were accused in the US yesterday of fraud and of smuggling weapons and military technology to Iraq and South Africa.

The long-expected charges came as US officials displayed military components recovered by troops during the Gulf war which, the indictments claim, were originally shipped by ISC to South Africa.

These included examples of more than 300,000 electronic components manufactured by ISC which the US says were found in Iraqi 155mm artillery shells deployed against American and allied troops in the Gulf war.

The indictments, by the US Attorney's office in Philadelphia, also named Armscor, the *South African state-owned* munitions company, and three other South African companies.

Mr James Guerin, ISC's founder and former deputy chairman of Ferranti, was charged with more than $1.1bn of financial fraud and the laundering of more than $700m.

The indictment against Mr Guerin, released at a US Justice Department news conference, alleged that he had masterminded "a massive international financial fraud and money laundering operation which defrauded Fer*ranti*".

US prosecutors said the components in question were bought by ISC from Accudyne, a Wisconsin company, and shipped to South Africa.

The components were then transported to Iraq by Fuchs Electronics, a business partner of Armscor. Among the other alleged illegal shipments to South Africa were night vision devices, ballistic missile components, missile testing systems and other types of defence electronics.

The indictment also charges Mr Guerin and his colleagues *with conspiring with a com*pany controlled by Mr Carlos Cardoen, the Chilean arms dealer, to supply Iraq directly with arms.

Ferranti, which acquired ISC in 1987, has been fighting for survival since discovering the alleged £215m ($378m) fraud at ISC two years ago. Ferranti is not accused of any wrongdoing and is itself seeking $198m in damages from Mr Guerin.

Mr Michael Baylson, the US attorney in Philadelphia, declined to say whether the investigation had found evidence that the Central Intelli*gence Agency knew about* some of the illegal US shipments to Iraq.

The indictments charge that Mr Guerin made misrepresentations over ISC's finances to Ferranti to bolster the price paid by the British company in the 1987 takeover. These included $1.1bn of fictitious arms contracts to Pakistan, South Africa, the United Arab Emirates and China.

These transactions – which made use of 38 Panamanian-front companies and 55 Swiss bank accounts – formed what one US official described as *"hundreds of thousands of* loops woven into a tapestry of fraud".

Mr Joe Tate, a lawyer for Mr Guerin, said his client had already negotiated a plea bargain agreement with US prosecutors.

Ultramar directors resign to bolster bid defence

By Deborah Hargreaves in London

THE bitter takeover battle for Ultramar, the diversified UK-based oil group with significant interests in North America, took a bizarre twist yesterday when three directors resigned *in an effort to divert* criticism from its management.

Mr John Darby, Ultramar's part-time chairman who has been criticised for his hands-off management style, said he took full responsibility for the company's poor performance.

Mr Darby received £680,000 *($1.18m) in compensation and a* £10,000 increase in annual pension to £53,000. Lord Remnant, deputy chairman, and Mr Lloyd Bensen, a director and former chairman, also quit.

Ultramar hopes the boardroom shake-up, an unusual move in the middle of a contested UK takeover bid, will divert attention from its poor record.

It is fighting a £1.19bn bid from Lasmo, another UK-based exploration company, and is due to issue its official defence document on Monday.

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Lex ......Page 24
Golden handshakes......Page 25

Lasmo said the management changes would not affect its attack, which has focused on the company's muddled strategy and its poor performance.

It said the shake-up meant little since Mr Michael Beckett, the new non-executive chairman, had sat on the board for 11 years and *must be party to* its poor record.

Ultramar has drawn heavy criticism for its apparent lack of direction and the contrast between directors' generous remuneration packages and the group's poor financial performance. It lost £21.6m in the first half of 1991.

Some institutional shareholders said they were were staggered at the size of the pay-off for Mr Darby, although the company stressed he was taking "significantly less than his full contractual entitlement". He had a rolling four-year-and-11-month contract.

Mr Beckett, who plans to seek a permanent replacement for Mr Darby, said he would review all contracts and com*pensation packages.*

"These contracts were conventional when they were put in place, but the company hadn't recognised the winds of change and that the climate is different now," Mr Beckett said.

"We had to do this, because *everyone's attention was* focused on the corporate governance issue and the ability to defend the company in front of institutional shareholders was being severely limited," Mr Beckett said.

Mr Darby had come under fire from institutions which disliked his attitude towards the City and his inexperience of the oil industry.

Ultramar said its decision to replace him had been under discussion for several months and had not been prompted by the Lasmo bid.

Weekend FT

Tomorrow: The odd tale of Ramanujan: Indian railway clerk and maths genius

●

Arthur Miller: bigamy in London's West End

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Salomon begins rebuilding with letter to shareholders

A newspaper advertisement featuring an apologetic letter from Salomon Brothers chairman Warren Buffett may prove to be a turning point in the fortunes of the once all-powerful US securities house
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MARKETS

STERLING
New York lunchtime:
$1.7396
London:
$1.7425 (1.743)
DM2.955 (2.9375)
FFr9.9375 (9.94)
SFr2.5525 (2.55)
Y227.5 (228.25)
£ index 90.8 (90.9)

GOLD
New York Comex Dec
$359.5 (360.5)
London:
$357.2 (358.45)

N SEA OIL (Argus)
Brent 15-day Dec
$21.975 (21.875)

Chief price changes yesterday, Page 25

DOLLAR
New York lunchtime:
DM1.5725
FFr5.717
SFr1.4673
Y130.8
London:
DM1.563 (1.5685)
FFr5.7025 (same)
SFr1.465 (1.4625)
Y130.55 (131.0)
$ index 64.2 (64.4)
Tokyo close: 131.0

US LUNCHTIME RATES
Fed Funds $5\frac{3}{16}$%
3-mo Treasury Bills:
yield, 4.93%
Long Bond:
$102\frac{1}{32}$
yield 7.896%

STOCK INDICES
FT-SE 100:
2,566.0 (-11.1)
FT-SE Eurotrack 100:
1,096.45 (-4.77)
FT-A All-Share:
1,238.63 (−0.3%)
New York lunchtime:
DJ Ind. Av
3,065.74 (−6.04)
S&P Comp
391.94 (−1.02)
Tokyo: Nikkei
25,222.28 (+241.1)

LONDON MONEY
3-month Interbank:
$10\frac{13}{32}$% ($10\frac{3}{8}$%)
Liffe long gilt future:
$95\frac{3}{4}$ ($95\frac{13}{32}$)

President Lech Walesa: ready to be premier, too

Walesa to appoint government of technocrats

By Anthony Robinson and Christopher Bobinski in Warsaw

POLISH President Lech Walesa intends to form a government of national unity of non-political technocrats to maintain the thrust of financial and economic reforms.

This follows last weekend's elections which produced a plethora of small parties in parliament and no clear coalition leader.

Mr Andrzej Kozakiewicz, assistant to the president for economic affairs, said yesterday Mr Walesa intended to turn to these specialists rather than party politicians and that the policies of Mr Leszek Balcerowicz, the finance minister, would be followed.

Mr Balcerowicz himself could be replaced as minister of finance and offered the post of president of the National Bank of Poland, the central bank. The bank has been granted much greater independence by a new banking law approved by the old parliament.

Mr Kozakiewicz said Mr Walesa himself was ready to take the premiership, and there were seven or eight further candidates.

"Politicians can be members of this government but they will have to forget their party allegiances once they agree to join," he added. Among the candidates for the premiership are Mr Andrzej Olechowski, the deputy trade minister with responsibility for negotiations with the European Community. Also in the running is Mr Jan Winiewski, a leading economist working for the European Bank for Reconstruction and Development (EBRD) in London. The new government *will have to be approved by the* fragmented parliament.

Making clear that he was speaking with the authority of the president, Mr Kozakiewicz said the fight against inflation would remain the top priority. But a new government would be more attentive to the cries of distress from the industrial towns which are calling for assistance, including some form of tariff protection.

"We will have to tackle both inflation and the recession. Poland needs an industrial strategy," he added in an implied criticism of Mr Balcerowicz who he said "had been very *good at macro-economic* policy but not so concerned with the industrial and social consequences."

Opinion polls show that Mr Balcerowicz is widely respected by Poles and by the international financial community. But his austerity policies have contributed to the unpopularity of the government and Mr Walesa is looking for a similarly competent but "less dogmatic and more collegial minister," Mr Kozakiewicz said.

The president is clearly concerned that any decision to remove Mr Balcerowicz from *the finance ministry could* undermine foreign investors' confidence in the government's commitment to market-oriented reforms.

But the former Solidarity trade union leader is also aware of the domestic need to explain economic and social policies better, said Mr Kozakiewicz. "We have read the message from the electorate," he added. The election was characterised by heavy abstentions and a strong showing by the former communist party.

"Some foreigners, especially in America, have overplayed the significance of the communist vote. *There is no danger of* a communist resurgence. Poles are committed to democracy. But we need foreign investment and we remain committed to economic reform."

Yeltsin wants new bank and currency for Russia

By John Lloyd in Moscow

RUSSIA'S president, Mr Boris Yeltsin, last night proposed replacing the Soviet state bank (Gosbank) with a Russian bank issuing its own currency – only three days after telling the Russian parliament he would support creation of an inter-republican bank for all the Soviet republics.

At the same time, it emerged that the agreement made between the 12 Soviet republics and the Group of Seven to shoulder responsibility for the $60bn-plus foreign debt is already unravelling.

Mr Yeltsin's remarks, to a group of leaders from Russian cities, appeared to point to the imminent creation of a Russian currency and the end of efforts to sustain a "rouble zone" among the Soviet republics, many of whom are now preparing to create their own currencies, and armed services.

The Russian leader said that all Gosbank's gold and hard currency reserves would go into the Russian bank, and that a draft decree had been prepared ordering the transfer of resources. "Russia cannot simultaneously belong to an economic community and give someone else the right to dispose of its money – especially the right to issue money."

It is not clear under what powers Mr Yeltsin could order the transfer of Gosbank reserves – the property of the Union – into Russian jurisdiction, without the agreement of the Soviet president and Supreme Soviet. A spokesman for the Russian central bank said last night it had not been informed about the proposal.

LEADING Congressional Democrats have drawn up plans to give President George Bush the authority to send US troops to the Soviet Union as part of an emergency airlift of humanitarian aid this winter, writes Lionel Barber in Washington.

If approved, the plan could see the US armed forces stage a humanitarian operation similar to Operation Provide Comfort for the Kurdish refugees in Iraq earlier this year.

The official news agency Tass reported that the Russian president had said his decision was prompted by the request made in October by President Mikhail Gorbachev for Rbs30bn from Gosbank to cover the union's budget deficit. Mr Yeltsin said this was in breach of the economic agreement between republics.

The agency quoted Mr Sergei Stankevich, an adviser to the Russian president, as saying that no law or presidential decree was yet ready to be issued, and that the question had to be discussed with experts and with the republics.

However, he added that the agreement signed earlier this week between the 12 soviet republics and G7 representatives to "jointly and severally" bear responsibility for the Soviet debt was "very indefinite" and did not constitute a final agreement.

According to the news agency Interfax, the government of Azerbaijan – now formally an independent state – had said it would not repay any part of the debt, since it expected to itself receive repayment for the contributions it had made to the centre while a Soviet republic.

In his speech on the need for urgent economic reform on Monday, Mr Yeltsin said that Russia was prepared to support an inter-republican bank if the republics gave up all thought of issuing their own currencies and obeyed the dictates of the new bank, which would replace Gosbank. However, none of the republics presently preparing their own currencies – including, crucially, the Ukraine – has responded positively to his proposal.

Mr Oleksander Balabash, a member of the commission on economic reform, told the Ukrainian parliament yesterday that "Russia's decision makes it imperative now for Ukraine to print its own money". Mr Vitold Fokin, the republic's prime minister, said that if Russia raised prices "Ukraine would be forced to defend itself".

This could mean either that Ukraine would follow suit, or that it would increase border and other controls to protect itself against the effects of the Russian price rises by banning the export of food and other goods being sold at lower prices in the Ukraine.

G7 spells out debt risks to fractious Soviet republics

By Peter Norman, Economics Correspondent

SENIOR finance ministry officials of the Group of Seven countries have returned from talks in Moscow believing that the 12 Soviet republics are now aware of the dangers that would befall them should the union default on its estimated $60bn of foreign debt.

"The talks were a big step forward and we got further than we thought we would," said one G7 official. The meeting made clear to the republics that the existing stock of Soviet debt must be serviced if *they are to have any creditwor*thiness. The G7 deputies also "came back with a more vivid appreciation of how events in the Soviet Union are being driven by the republics," said the official.

The meetings, on Sunday and Monday, were arranged at last month's gatherings of the International Monetary Fund and World Bank in Bangkok. Among the 50 or so senior officials attending were six prime ministers and nine finance ministers.

The upshot was a memorandum of understanding under which republics and the Soviet centre agreed to take "joint and several" responsibility for USSR debt, to ensure servicing of existing debt, and to appoint a "debt manager" to handle past debt, with power to enter commitments on behalf of republics and the centre.

One difficulty for the G7 has been antipathy in the republics towards institutions of the old Communist system, such as the Vnesheconombank, the Bank of Foreign Economic *Affairs, and Gosbank, the* Soviet central bank.

The G7 officials – from the US, Japan, Germany, France, Britain, Italy and Canada – made clear that their governments were anxious to maintain links with republics. This wish was underscored yesterday when Mr Norman Lamont, the British chancellor, met President Nursultan Nazarbaev of Kazakhstan in London to discuss UK-Kazakh economic relations. But the G7 was not prepared to deal with individual republics on debt.

"The republics had not realised this before," said the G7 official. The G7 deputies now believe Vnesheconombank and Gosbank officials will be better able than before to make effective the mechanisms for servicing the Soviet debt.

But difficulties remain. For example, the rule that 40 per cent of foreign exchange earned by Soviet exporters should be remitted to the centre has been widely evaded. One reason, outlined by Mr Horst Schulmann, managing *director of the Washington*-based Institute of International Finance, in testimony to the US congress, is that enterprises are expected to tender foreign exchange at a rate of Rbs1.8 to the dollar when the black market rate is around Rbs60.

The G7 official said not all republics' representatives had plenipotentiary powers in the talks. Some have to cope with active parliaments while others face referenda. The debt agreement in Moscow will therefore have to be discussed in the capitals of republics.

Mr Stipe Mesic, Yugoslav federal president, inspects damage in the besieged city of Dubrovnik yesterday

Serbian leaders divided over how to respond to EC threat of sanctions

By Laura Silber in Belgrade

SPLITS emerged yesterday between Serb leaders just days before a meeting of European Community foreign ministers who are expected to impose sanctions on Serbia.

The sanctions hinge on whether Mr Slobodan Milosevic, the president of Serbia, rejects an EC plan to transform Yugoslavia into a loose association of six independent republics.

The rift was revealed after leaders of Serbs from Croatia, who have led the armed uprising against the breakaway republic, yesterday said they were "shocked and disappointed" by pressure from Serbia to accept the Community plan.

Mr Milan Babic, leader of the self-proclaimed Serbian autonomous region of Krajina in Croatia, told a news conference: "The top ranks of Serbia are pressing on us the acceptance of a completely unacceptable plan."

Mr Babic, who was Mr Milosevic's right-hand man outside Serbia, added: "the Serbian government... and Mr Milosevic... have not yet betrayed Serbian interests."

Serbia's ruling Socialists and its tightly controlled media have denounced the EC ultimatum on the grounds that it would leave the 2m Serbs living outside Serbia in an independent Croatia or Bosnia-Hercegovina in which their status could be undermined.

But behind the scenes in Belgrade, the federal and Serbian capital, officials indicated that Mr Milosevic had given Serb leaders a deadline until Saturday to accept the proposal which be discussed in The Hague next Tuesday.

Western diplomats and Serb officials yesterday said the threat of economic sanctions, coupled with international isolation, had forced Mr Milosevic into a corner. They said that the Serbian president now appeared to be hostage to the very leaders he catapulted into power outside Serbia.

A western diplomat yesterday said: "Milosevic is on a tightrope. Time is running out for him. That is when he becomes most dangerous."

Diplomats added that the heavily-armed Serbs in Croatia, and Bosnia-Hercegovina, who have the support of the federal army, could rebel against Mr Milosevic.

Thus, if he signs the EC document, Mr Milosevic will be in conflict with a discontented Serb-dominated federal army, and Serbs outside Serbia who have become increasingly radicalised over the past year.

However as the war in Croatia drags on, Mr Milosevic has few remaining options. The economy is rapidly deteriorating, with fuel and oil supplies running out, while thousands of Serbs have deserted from the front, or have gone into hiding, or abroad, to escape mobilisation.

Several Serb ministers have also offered their resignations, highlighting their fears that Mr Milosevic no longer fully controls the agenda.

France yields in Nato wrangle

By David Buchan in Brussels

A LONG wrangle inside the North Atlantic Treaty Organisation has ended with France accepting that next week's Nato summit should formalise alliance consultations with eastern Europe and the Soviet Union.

Nato diplomats were yesterday still discussing the precise nature, and name, of the new body in which the western alliance's 16 members will hold a regular dialogue with the six former members of the defunct Warsaw Pact, plus the three new Baltic states.

But "everyone now realises we should move to a new level, and intensity, in our relations with the east", a senior Nato diplomat said yesterday. The US and Germany have jointly proposed creating a North Atlantic Co-operation Council, in which Nato and east European ministers would regularly discuss broad security issues. Nato would also make available its expertise in civilian control of military establishments and budgets, and in converting defence industry to civil use.

France first objected to this on the grounds that it appeared to usurp the pan-European security role intended for the Conference on Security and CoOperation in Europe. But Paris has now accepted the idea of a new form for consultations with the east provided it was not too ambitious, a spokesman said yesterday.

Britain, too, has reservations about the proposed name of the NACC, which it feels is too close to that of the alliance's core body, the North Atlantic Council (NAC).

Renault strike talks begin

A government-appointed mediator, Mr Jean Cordouan, began talks yesterday with both sides in the two-week pay strike at Renault, the French state-owned car-marker, writes **Alice Rawsthorn in Paris.**

The stoppage, at Renault's main engine and gearbox plant at Cléon, west of Paris, has severely hit production at the carmaker's other factories. The stoppage is costing the company, France's second largest, over FFr100m ($17.36m) a day, according to Ms Martine Aubry, employment minister.

Möllemann generates some heat in German energy debate

The minister's proposals for scaling down the use of coal have raised a storm of protest, writes **Christopher Parkes**

YOU SHOULD never try, Mr Jürgen Möllemann was told this week, to put a bridle on a horse while standing behind it.

Too late. The feckless German economics minister, known around Bonn as *die Goldene Gurke* (it translates comfortably as the Gilded Gherkin) had already suffered the consequences. His mistake, according to a helpful coalition colleague, was to set out quite so baldly last week the consequences for the mining industry of his proposed energy policy for a unified Germany.

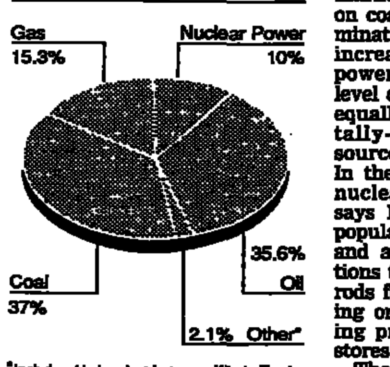
The use of environmentally damaging fuels in the national energy mix was to be reined in, Mr Möllemann proposed. Hard coal output should be reduced by almost 30 per cent, and brown coal production halved. He left the impact on the labour force and mining areas to his listeners' imagination, while in the following days reminding the population at large that it was subsidising every mine worker to the tune of DM76,000 ($44,970) a year.

The milder reactions included a blast from miners' leader Mr Hans Berger, who said the minister's paper was "a malicious provocation", while scornful opposition politicians, dismissing his plan as a "corpse", said he should go away and do his homework. On Wednesday, the Saarland state parliament, with about 20,000 mine workers on its electoral rolls, flatly rejected the whole idea.

Mr Möllemann can soak up this sort of stuff like a sponge. In recent months he has ridden blithely through public bust-ups with cabinet colleagues Mr Theo Waigel, finance minister, and Mr Klaus Töpfer in environment. Saarland miners' have staged underground sit-ins in protest at his well-aired proposals, and the leading electricity companies have stopped all investment in eastern Germany until they have a hard and fast energy policy to guide their spending decisions.

His plans for coal use, conditioned by the perceived urgent need to reduce carbon dioxide emissions, not to mention European Commission pressure for coal subsidies to be reduced, were among the clearest in his package. His scheme, which will be massaged into shape by a independent commission before presentation to the cabinet, is based on the premise that German primary energy demand will reach 500m tonnes of coal equivalent (tce) by 2010. In terms of energy consumption per unit of gross national product, this is the same as today.

The German energy mix



*Includes: Hydro electric power, Windmills etc.
Source: Economics Ministry

The mix, however, will differ markedly: Möllemann's stand on coal is matched by a determination to maintain and even increase the role of nuclear power from its current low level of 10 per cent "as long as equally reliable, environmentally-friendly and cheap sources remain unavailable". In the face of a resolute anti-nuclear lobby, the minister says he is confident that the population will accept the idea, and aims to get round objections to the export of used fuel rods for reprocessing by pressing on with contentious existing projects for underground stores on German territory.

The future pattern of use for some fuels is already clear. In the first 12 months of unification, some 1,700km of natural gas pipeline has been laid – half new and half converted from town gas – in the east of the country. The share of oil in the new states' energy mix has already risen from 16 to 23 per cent. But here, as in the west, coal is the problem. More than two-thirds of the regions' energy comes from coal: 64 per cent "dirty" lignite and 4 per cent from hard coal.

Brown coal mining has already been severely squeezed. From around 250,000 tonnes a year in 1990, eastern output is expected to fall to 180,000 tonnes this year and, by Mr Möllemann's reckoning, drop to less than 150,000 tonnes in the second half of this decade. Little comfort there for the 500,000-strong workforce, nor for companies like the DM50bn-sales energy giant RWE standing ready to build new lignite-burning power stations.

Mr Friedhelm Gieske, RWE chairman, made few efforts to hide his impatience with the lack of direction from Bonn at his annual meet-the-press conference on Monday. Some DM8bn of his company's five-year investment budget was stalled because he had no idea of the long-term future of brown coal in the east. He was cross, too, because he had had to spend DM200m last year on importing electricity from French nuclear plants while a brand new RWE nuclear power station stood idle because of popular and environmentalists' legal action.

"Power stations don't smell like roses", he admitted, but there was no alternative at present. Simple common sense said that the country should make use of all available sources, including hard and brown coal, and nuclear power too, provided it was generated in plant built to "western" standards. In the end, resolution of the energy argument depended on whether Germany wished to retain its international competitiveness. "If we are not competitive we will simply give away our industry and jobs to other countries. Do we really want that?"

All the country's leading electricity generators have already told the economics ministry that they will withdraw from the government's coal subsidy programme when it comes to be renewed in 1995. At present they are contracted, as surrogate tax collectors, to buy 41m tonnes of expensive German coal a year with permission to claim from their customers via increased tariffs the difference between domestic and world market prices.

Not obviously brimming with confidence about Bonn's ability or sense of urgency, Mr Gieske concluded: "It is now for the politicians to decide. We will respect the decision.... whatever it is". "But," he barked, speaking for all the power companies currently on an investment strike, "the longer it takes, the longer we take to make our investment decisions."

Mr Möllemann, due to climb back into the negotiating ring with the mining industry next Monday, has already set himself a tight deadline. A complete policy package is promised for before Christmas: within two months he has to placate mine owners and workers, knit his energy policy together with the naturally antagonistic environmental requirements of Mr Töpfer, soothe the virulent anti-nuclear lobby and satisfy the hard-heads in the power game.

It will take more nerve and backbone than is normally found in your average gherkin, gold-plated or not.

Britain airs plan to curb vehicle pollution

By Richard Tomkins, Transport Correspondent, in Prague

EUROPEAN car-makers will face tough pollution controls if proposals put to a meeting of ministers and officials from 25 European countries in Prague yesterday are implemented.

The scheme, proposed by Mr Malcolm Rifkind, the UK transport secretary, would set a compulsory target level of carbon dioxide emissions for manufacturers' total vehicle output – though allowing them to achieve the target with an average level of CO_2 emission across their entire model range.

Mr Rifkind told the first pan-European transport conference the key feature of the scheme was that it would allow more flexibility than rules about emission levels for particular types of vehicle.

A regulatory authority would set an average fuel efficiency target for manufacturers and importers to achieve across their total vehicle sales.

As each new car was registered, it would qualify for credit points if it performed better than the target average. These would be issued to the manufacturer by the regulator.

If the car performed worse than the average, it would create a debit which would have to be balanced by credits. These could be obtained from a transfer of credits earned by other vehicles.

Alternatively, credits and debits could be traded between manufacturers: but the overall level of fuel efficiency would always be achieved because the number of debits in circulation would not be allowed to exceed the number of credits.

Mr Rifkind said one advantage of the scheme was that rapid changes in efficiency would be encouraged in models in which it was easy to achieve, but in cases where the changes would be costly, manufacturers would be able to adjust more gradually.

The proposal received a warm response from delegates who had repeatedly voiced concerns about the environmental consequences of Europe's rising traffic levels.

In its final declaration, the conference agreed to seek curbs in the pace of traffic growth by encouraging more use of rail and by progressively increasing road-user costs to reflect the environmental damage and pollution caused by road transport.

Fraud probe may embarrass the Treuhand

By Leslie Colitt in Berlin

BERLIN'S public prosecutor has launched a fraud investigation at east Germany's Minol oil company, which could prove highly embarrassing to the Treuhand privatisation agency.

The investigation was launched on Wednesday following allegations in a Berlin newspaper that Minol, which is controlled by the Treuhand, paid nearly DM20m ($11.8m) to a company in return for a piece of property it held. Minol did not receive the property. The company, Neuling-Minol Chemiegesellschaft (NMC), is jointly owned by Minol and Mr Christian Neuling, who holds a majority stake.

Mr Neuling, a Christian Democrat MP, was also head of the Treuhand subcommittee of the Bundestag – set up to control the Treuhand – and a member of the supervisory board of Minol.

He resigned both posts earlier this week under pressure from Bonn and his constituents in Berlin. The public prosecutor's office made clear yesterday that Mr Neuling was not under investigation.

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Negotiators fail to meet latest Gatt deadline

By William Dullforce in Geneva

THE EUROPEAN Community and the US are intensifying their efforts to find a compromise on agricultural reform, as the Uruguay Round of trade talks yesterday missed another deadline.

Three weeks ago, after warning that November would be the make-or-break month for the five-year effort to liberalise world trade, Mr Arthur Dunkel, director general of the General Agreement on Tariffs and Trade, gave negotiators until the end of October to produce draft agreements.

By yesterday no draft text was ready in any important area, such as services, intellectual property rights, textile products and tariff cuts, and no meetings were scheduled for next week.

"Everybody is waiting for agriculture," said one trade diplomat. However, Mr Guy Legras, EC director-general for agriculture, and Mr Richard Crowder, US agriculture under-secretary, started the first serious appraisal of outstanding EC-US differences only on Monday in Washington.

The talks moved to Brussels yesterday and will switch to London today, where Mr Legras and Mr Crowder will be joined by Japanese and Australian negotiators.

Australia leads the Cairns Group of 14 farm-exporting nations which forms the third key protagonist in the farm talks.

Officials hope that the effort to resolve the deadlock over farm reform will have made enough progress by early next week to enable them to give Mr Dunkel an encouraging signal. But results, if any, may not be confirmed until a meeting next Friday between Mr Ray MacSharry, EC agriculture commissioner, and Mr Edward Madigan, US secretary for agriculture.

Dunkel: hopes for accord on all main trade issues

The outcome of the EC-US talks, on the course of which the Japanese and Australians will be kept informed, will then have to be presented in the Gatt forum in Geneva.

Meanwhile Gatt's director-general faces the problem of maintaining the credibility of the Round after his latest deadline has been missed.

Mr Dunkel is expected to call a meeting of the trade negotiations committee, the governing body for the Round, early next week, at which he will stress that agreements can still be reached on all the major issues, including agriculture.

Hope for a breakthrough on agriculture rests on the recent change of policy by Germany towards internal EC farm price reforms and the subsequent announcement by Mr Frans Andriessen, EC trade commissioner, that Community negotiators had enough flexibility to conclude a farm deal.

Final showdown, Leader page

OECD moves on aid budgets abuse

By Peter Montagnon

LEADING industrial countries have tentatively agreed a new set of rules designed to curb abuse of aid budgets to buy market share for their exports to the developing world.

The new agreement, which is due to be formally made public by the Organisation for Economic Co-operation and Development early next week, includes a ban on the use of aid to sweeten the terms on export credits to middle income countries such as Mexico and Brazil.

Such use of aid would only be permitted to finance exports to poorer countries if the projects concerned are accepted to be non-viable commercially and cannot be financed by other means.

Subject to ratification by OECD member governments the rules will come into effect in mid-December.

Officials say it is hoped that they will put an end to the bitter arguments over the use of aid in promoting exports.

The US and Canada have long-complained that this has destroyed free competition in significant developing country export markets such as Indonesia.

This week's agreement follows two years of tough discussions, which nearly came to grief after OECD governments failed to meet their original deadline this summer.

The talks also became embroiled in the Uruguay Round disagreement over farm reform after the European Community suggested US farm credits should also be subject to disciplines.

These are understood to be excluded from the new agreement, which sets a 1990 GNP per head limit of $2,465 (£1,430) below which countries remain eligible for tied aid. To the satisfaction of France, Algeria just falls into this category.

US moves closer to import protection of machine tool sector

By Nancy Dunne in Washington

THE US machine tool industry's bid for a renewal of import protection has moved a step forward with a decision by the Bush Administration to employ the National Security Council as a forum for studying the request.

The NSC – rather than an inter-agency committee which would have focused on trade concerns – was selected because the industry has contended that continuation of the five year old "voluntary" restraint agreements (VRAs) with Japan and Taiwan is vital to US national security. The ruling, due by December 31, will be a test of the Administration's intent toward maintaining the country's industrial base in the post-Cold War era.

Besides pushing for new 3-5 year VRAs, the National Machine Tool Builders Association wants more help from the US government. It wants additional funding for research and development and a continuation of a co-operative US-Japanese programme designed to encourage transplanted Japanese companies to buy American machine tools.

"The programme has resulted in many leads and serious discussions with transplants but in very few, if any, actual orders," the NMTBA acknowledges in a summary of its requests. "Termination of the VRAs will remove incentive for all Japanese transplants to buy US machine tools."

Opposition to the extension of the VRA's is being spearheaded by Mr Brian McLaughlin, president of Hurco, an Indianapolis-based producer of computer numerically controlled machine tools, which has a British subsidiary in High Wycombe.

"The import controls have cost Hurco a substantial amount of money," he said, forcing the company to pay more for its parts imports. Meanwhile, the company has invested heavily in leading-edge technology as the only way to compete internationally.

Mr McLaughlin argues that the current VRAs are flawed, because they leave untouched imports from Germany and Switzerland and cover only 40 per cent of the industry's output.

It establishes 1981 as the base year when Japan's imports, abetted by a strong dollar, were at their highest. This has allowed Japan to maintain half of crucial product markets, like computerised lathes and machining centres.

Furthermore, he argues, the VRAs have failed in their declared aim of protecting national security by not focusing import limits on computer numerical controls and software.

Mr James Mack, vice president for government relations of the NMTBA, said only 15 per cent of the organisation's 324 members produce machine tools affected by the import restraints. But those comprise 40 per cent of the industry's output.

Castro searches for new economic allies

Stephen Fidler reports on the difficulties facing Cuba since eastern Europe reformed

WHEN ships delivering Soviet flour wheat into Cuba were delayed by just over a month at the end of 1989, the price of wheat doubled and, outside Havana, bread had to be rationed. This year the first Soviet ships carrying wheat flour did not arrive until May.

By the end of September, the Soviet Union had delivered none of the 90,000 tonnes of rice it agreed last December to provide, only 16 per cent of the vegetable oil, less than half of the butter and none of a variety of promised chemicals and raw materials such as caustic soda, washing soda, wood pulp and detergents.

Details of how far short the Soviets had fallen short on their promised deliveries of goods in 1991 were told last month by President Fidel Castro himself to the Congress of the Communist party.

Cuba's dependence on east Europe and the Soviet Union grew during the 1980s as it was unable to secure hard currency credits, partly because of its refusal to service its foreign debt. By 1989, they together represented 85 per cent of Cuba's foreign trade. Over the last two years, their willingness or ability to supply Cuba has fallen sharply.

As Mr Castro told the Congress, supplies from non-Soviet east Europe have fallen virtually to zero. East Germany, for example, used to supply 22m tonnes of dried milk a year, equivalent to five months' consumption.

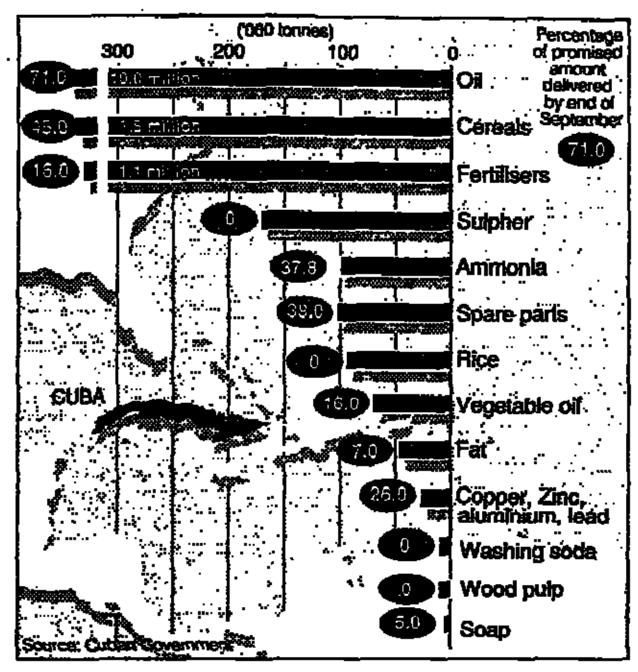
At the end of December 1990, Cuba negotiated with the Soviet Union what it described as a "reasonable" agreement. This was significantly less advantageous than formerly, but it allowed the Cubans to import $3.94bn (£2.3bn) of goods from the Soviets in 1991 – based on sugar prices of $500 a tonne. This was later reduced to $3.66bn. (No money changes hands, the dollar is simply used as a unit of account.)

In the first nine months of the year, according to Mr Castro, only 88 per cent of this was delivered. However, oil imports accounted for a significant proportion of this: they were running at about 95 per cent of agreed levels.

The figures suggest that the supply situation may have eased since May, by which time hardly any foodstuffs had arrived. However, uncertainty about supplies from the Soviet region is certain to continue as the Soviet Union breaks up.

"Each republic will strike its own deal with Cuba," Mr Alexei Rubinchik, head of the economic department of the Soviet Union's commercial mission in Havana, told Reuters this week.

He said talks on 1992 trade agreements between Cuba and some of the Soviet Union's remaining 12 republics were already under way. But it was too early to say what shape those agreements might take.



This uncertainty has forced the Cuban leader to look elsewhere – and in particular to Cuba's Latin American neighbours – for economic allies. Despite the unusual *glasnost* surrounding the fall-off in Soviet supplies, Mr Castro has been less forthcoming about what, if anything, the country has secured elsewhere. A lack of hard currency means it is unlikely that imports from other countries will be large.

It is unlikely that Latin America – Mr Castro met the heads of state of Mexico, Colombia and Venezuela last week and may have received this message from them – will want to deal with Cuba except on commercial terms.

In the meantime, Mr Castro is following a curious twin-track policy. He has selectively opened up the Cuban economy to foreign capital: some joint ventures may already have got off the ground, although at this stage they are likely to have little economic impact. This, says Mr Jorge Dominguez, a professor of government at Harvard University, provides an example of the Cuban government "at its pragmatic best".

On the other hand, in the agricultural sector, Mr Castro has on ideological grounds refused to countenance a reopening of the free peasants' market, such as existed in the early 1980s, or even the granting of limited extra freedom for the farmers' co-operatives.

Instead, a traditional centrally-planned campaign to increase the production of certain staples, such as bananas, is under way. This could well succeed in raising production in the harvest due in the first half of next year. But the policy, says Mr Dominguez, has a high opportunity cost, depriving other, more productive, sectors of the economy or agriculture. It also a policy which is almost impossible to sustain over the long run.

EC-Taiwan patent talks plan denied

THE European Commission yesterday denied the substance of a Taiwanese announcement that the European Community and Taipei would hold unprecedented formal talks next month on patents, but admitted that informal contacts might take place, Reuter reports from Brussels.

"There are no formal negotiations between two entities which do not recognise each other," a spokesman for the EC executive said. Although there could be contacts, officially there would be no negotiations.

Taiwan's semi-official Central News Agency said earlier a delegation from Taipei's economic and interior ministries would meet EC officials on November 21-22 in the first such formal talks. It did not name a venue.

Formal contacts between Taiwan and European countries are sensitive because of the island's diplomatic rivalry with China, which claims sovereignty over Taiwan.

Taiwan has come under strong pressure from developed countries to strengthen its protection of foreign intellectual property, including patents and trademarks.

Taipei has been asked to crack down on local companies counterfeiting computer software packages, consumer goods and other products.

MIDDLE EAST PEACE CONFERENCE

Rejoicing: Palestinians clap during a peace march in Ramallah in the occupied West Bank to show their support for the conference

Accuser: Israeli Prime Minister Shamir condemned the Arabs for denying his people's right to exist and warned of impasse on land

Dispute over next venue casts dark shadow over talks

By Victor Mallet and Hugh Carnegy in Madrid

A DISPUTE between Arabs and Israelis over the format of Middle East peace talks has cast a shadow over the Madrid conference even before the end of the ceremonial sessions in the royal palace this morning

The issue – in which Israel is pressing for the negotiations to be held in the Middle East, including in Israel, while the Arabs want the talks to remain in the Spanish capital – is more than procedural.

Israel believes that a move to the Middle East would demonstrate that the Arabs are serious about accepting the Jewish state. Arab governments, however, are reluctant to grant Israel the de facto recognition that would come with official Arab visits to Israel until Israel has at least shown a willingness to withdraw from occupied territory.

Mr James Baker, the US secretary of state, has been working behind the scenes in Madrid since before the conference opened on Wedesday to resolve the issue.

So far, he has not succeeded, although Israeli officials say they are willing to attend the first round of bilateral talks with Syria, Lebanon and the Jordanian-Palestinian delegation in Spain.

Mr Kamel Abu Jaber, the Jordanian foreign minister, said yesterday that Israel's demands were killing the spirit of the Madrid conference. "The danger of it is disrupting the whole momentum of the conference," he said. "Why do we always have to do everything that Israel wants?" Mr Abu Jaber added: "Madrid's a lovely city... Why do we have to go around moving for God's sake?"

Mrs Hanan Ashrawi, speaking for the Palestinians, said it was impossible for her community to negotiate in Israel, where Palestinians were detained and their newspapers censored. "We cannot negotiate under duress," she said. "We need a neutral and free place."

Israel, on the other hand, is seeking a gesture from the Arabs to prove that they are ready to accept the legitimacy of the Israeli state. It also sees practical benefits from meeting close to home. Yesterday Mr Yitzhak Shamir, the Israeli prime minister, invited his Arab neighbours to come to Israel for the first round of talks.

"The issues are complex," he said in his formal speech to the conference, "and the negotiations will be lengthy and difficult. We submit that the best venue for the talks is in our region, in close proximity to the decision makers, not in a foreign land."

Arab states feel that recognition of Israel is almost their only card in the negotiations, and they are unwilling to give it up too early in the game by offering the sort of gesture made by President Anwar Sadat of Egypt when he addressed the Israeli parliament 14 years ago. As one Israeli official put it yesterday: "We are trying to jump the hurdle that in 1977 was jumped over by Sadat himself."

The dispute extends beyond the proposed bilateral meetings to the multilateral round of discussions on regional matters which are supposed to begin by November 13. Syria was the first to intimate that it was reluctant to attend the multilateral sessions on matters such as water resources, arms control, economic cooperation and refugees, unless Israel showed flexibility in next week's bilateral talks.

Other Arab governments have expressed sympathy, if not outright support, for the Syrian view. In Madrid, Mr Baker has suggested that the bilateral talks are the primary issue, and he is not insisting on immediate commitment to the multilateral round.

But Mr Shamir said yesterday that multilateral talks were a "vital component" of the process. "In these talks, the essential ingredients of co-existence and regional co-operation will be discussed. There cannot be genuine peace in our region unless these regional issues are addressed and resolved."

These procedural disputes are likely to delay negotiations in the days and weeks ahead. Already, it appears that the bilateral talks, due to begin by tomorrow, may be postponed for a couple of days. Discussing the arguments yesterday over the venue for the bilateral talks, Mr Abu Jaber said ruefully: "We are just in the bare, bare, bare beginnings."

More hostages may be freed in near future

By Our Middle East Staff

PRO-Iranian kidnappers will soon free more Western hostages held in Lebanon despite Tehran's fierce opposition to Middle East peace talks in Madrid, a Lebanese politician said yesterday.

"The Madrid conference and the harsh Iranian and Moslem fundamentalist position regarding it will not hamper efforts to end the hostage crisis," the politician, who was not identified, told Reuter in Beirut on his return from talks with officials in Tehran. "To the contrary, it will speed up the current process and more hostages will be freed very soon," he added.

Israeli troops and their militia allies, on alert for possible raids by guerrillas, meanwhile exchanged artillery fire with pro-Iranian gunmen in south Lebanon.

Hizbollah guerrillas returned fire on Israeli and SLA positions at the tip of the Jewish state's self-declared security zone in south Lebanon.

Members of the far-right Kach Jewish movement entered the US consulate in Arab east Jerusalem yesterday. They presented a statement demanding Syria allow Jews to emigrate and Washington end pressure on Israel to relinquish occupied land and recognise Israeli control over the Arab half of Jerusalem.

In Madrid police arrested Mr Binyamin Kahane, the Kach leader, and two other members of the party as they distributed leaflets condemning Israel's participation in the peace conference. The party threatened last week to "blow up" the peace talks.

Iraq meanwhile condemned the peace talks as "a dirty conspiracy" by the US.

Blunt talk from Damascus

Syria

SYRIA yesterday swept away any pretence at diplomatic language when Mr Farouk al-Sharaa, the foreign minister, launched a blistering attack on Israel in his address to the conference, writes Hugh Carnegy.

Accusing Israel of aggression and human rights violations against Arabs, Mr al-Sharaa said: "It is no exaggeration to state that the continuing intransigent Israeli position, which is bereft of any justification, is the one that places the world on the brink of incalculable dangers and prevents the region from enjoying peace."

Mr al-Sharaa dropped Syria's habit of referring to Israel only as "the Jewish entity". But he *restated Syria's demand that* multilateral talks on regional issues not begin until "substantive and concrete" progress had been made in bilateral talks.

He said his country's decision to enter the peace process should not be misunderstood. "Israel would be gravely mistaken were it to interpret this Arab response as a licence for it to perpetuate its intransigent stands within the conference or any of its committees."

Palestinians 'must have recognition'

Palestinians

DR Haidar Abdul-Shafi, the head of the Palestinian delegation in Madrid, made a quietly passionate plea yesterday for world recognition of Palestinian rights to self-determination, reports Tony Walker.

The 72-year-old Dr Abdul-Shafi, in perhaps the most important statement of Palestinian demands ever made before an international audience, appealed for understanding of the plight of people under occupation and those rendered homeless by war.

He also made it clear that he was speaking on behalf of the Palestine Liberation Organisation which was excluded from Madrid by Israel's refusal to negotiate with what it describes as a terrorist organisation.

He said that "an invitation to discuss peace... comes to only a portion of our people," adding: "It ignores our national, historical, and organic unity. We come here wrenched from our sisters and brothers in exile to stand before you as Palestinians under occupation, although we maintain that each of us represents the rights and interests of the whole."

The Palestinian spokesman *re-stated Palestinian demands* that Jewish settlements in the occupied territories be halted, that the future of Jerusalem be discussed by the Madrid conference and the rights of Palestinian refugees be taken into account in any settlement.

Referring to Jerusalem as the "soul of Palestine," he said its exclusion from the agenda was a "denial of its right to seek peace and redemption, for it too has suffered from war and occupation."

Shamir warns of impasse over land

By Hugh Carnegy

Israel

MR Yitzhak Shamir, the Israeli prime minister, said yesterday Israel was committed to negotiating with its Arab neighbours without interruption until they made peace, but he warned of an impasse if the issue of territory became the main focus of talks.

Mr Shamir adopted a markedly less combative tone than is his custom when he gave his opening address to the Middle East peace conference. He avoided the declamatory statements about his government's refusal to give up the occupied territories which characterised his public statements in the months leading up to Madrid.

Appealing to the Arab side to "speak in the language of reconciliation, coexistence and peace with Israel", he said: "We come to this process with an open heart, sincere intentions and great expectations. We are committed to negotiating without interruption until an agreement is reached."

But referring to the Arab demand Israel relinquish occupied territory in exchange for peace, Mr Shamir said there was "no hint" of Arab recognition of Israel before it captured the West Bank, the Gaza Strip, the Golan Heights and east Jerusalem in the 1967 Arab-Israeli war.

"The issue is not territory but our existence. It will be regrettable if the talks focus primarily and exclusively on territory. It is the quickest way to an impasse. What we need, first and foremost, is the building of confidence, the removal of the danger of confrontation and the development of relations in as many spheres as possible."

Pressing the Israeli case - rejected by the Arabs - that the substantive bilateral negotiations which are due to follow the conference should take place in the Middle East, Mr Shamir invited his negotiating partners to come to Israel. "There is no better way to make peace than to talk in each other's home," he said.

Mr Shamir opened his statement with the Hebrew greeting *shalom* - peace. He delivered the rest of his speech in English, apparently to emphasise the message Israel is anxious to impress on the watching world that it is the party that most wants peace. But he also had to consider the impact he would have back in Israel where many of his right-wing supporters are concerned Israel should not be pressured into concessions.

An impassioned account of the persecution of Jews down the ages and the fraught history of the Israeli state occupied much of his remarks. He frequently referred to the Jewish right to sovereignty in the "Land of Israel", the code-phrase of his ruling Likud party for its claim to keep the West Bank and Gaza Strip.

Mr Shamir quickly came under strong attack from Palestinian and other Arab delegates for what they saw as a slanted version of Israel's history but succeeded in winning widespread praise from both left and right within Israel for his approach.

Israelis urged to pull out of security zone

By Hugh Carnegy

Lebanon

MR Farez Bouez, the Lebanese foreign minister, yesterday joined the Arab chorus calling for Israeli withdrawal from *occupied Arab territories when* he addressed the Middle East peace conference in Madrid.

Lebanon is one of the three Arab partners - along with Syria and a joint Jordanian-Palestinian delegation - set to engage in bilateral peace negotiations with Israel after the ceremonial conference sessions. Its main concern is Israel's control over a chunk of southern Lebanon occupied as a security buffer along the Israeli border.

Mr Bouez demanded that Israel withdraw from the so-called security zone, which it controls through its own troops and a local militia ally, in line with UN Resolution 425, passed in 1978. He said Israeli forces had bombarded the village of Nabatiyeh, just outside the security zone, with 160 shells yesterday.

Israel was retaliating against guerrilla attacks launched on its forces in the area in recent days in which three soldiers died. Mr Bouez said: "Lebanon is above all concerned with the total liberation of all its territory."

He said the end of the civil war in Lebanon was an example that peace could be achieved against the odds. "Miracles are easy when destiny is at stake," he said.

Parties urged to focus on international law

By Victor Mallet

Jordan

MR KAMEL Abu Jaber, the Jordanian foreign minister, said yesterday the peace conference should focus on the *application of international* law, particularly the UN resolutions calling for Israeli withdrawal from occupied land.

He repeatedly returned to the international legitimacy adopted as a slogan by the allies in the Gulf war which ended Iraq's occupation of Kuwait.

"If this conference does anything, it must end Israel's self-righteous attitude to live by its own rules alone," he said. "This conference is also about the credibility of... the United Nations charter and human rights."

Speaking in English and quoting from King Hussein's appeals for Middle East peace, Mr Abu Jaber said Jordan was aware Israel's creation was the result of UN Resolution 181 of 1947. It was in accordance with *UN resolutions that Jordan* "demands the total withdrawal of Israeli forces from occupied Jordanian, Palestinian, Syrian and Lebanese lands".

He called for the restoration of Arab sovereignty over Arab east Jerusalem and for the removal of Jewish settlements in the occupied territories. More than half of Jordan's population is of Palestinian origin, but Mr Abu Jaber rejected Israeli suggestions Jordan is the Palestinian state.

The PLO ghost at Madrid banquet

By Tony Walker

LIKE Banquo's ghost, Mr Yassir Arafat was an unseen presence yesterday at the Madrid peace conference, an event from which he was formally excluded.

Dr Haidar Abdul-Shafi, the head of the Palestinian delegation in Madrid, invoked the PLO leader's name at the end of his 45-minute address, a reference that was greeted with grimaces by Israel's delegation which had already been made uncomfortable by an earlier indirect mention of the PLO.

It is not the least of the peculiarities of the Madrid conference that Palestinians are *being represented* not by members of their national leadership, but by a narrowly defined group from within territories occupied by Israel in war.

This strange circumstance, dictated by Israel's refusal to deal directly with the PLO, has put a premium on Palestinian political and diplomatic ingenuity. The task of Palestinian delegates in Madrid has been to make it clear that they are representing what they would describe as the "national consensus" without making it too obvious that they speak for the PLO and thus risk an Israeli walk-out.

Behind the scenes, however, an extremely close liaison is being carried on between the leadership in Tunis and Palestinians involved in the Madrid conference. No formal statement, such as Dr Abdul-Shafi's speech, is made without reference to the PLO.

Indeed, PLO officials, including Mr Nabil Shaath, Mr Arafat's close adviser, helped craft yesterday's address which was regarded as being at least as important a statement of the Palestinian position as the PLO leader's "gun and olive branch" speech at the United Nations in 1974.

Mr Shaath arrived in Spain on the eve of the conference to oversee the presentation of the Palestinian position. Usually one of the PLO's more visible spokesmen, he is keeping away from the press.

Mr Arafat himself – currently in Morocco – has also remained relatively quiet. US and Arab governments, notably Egypt, had urged the PLO leader to keep silent so as not to provoke an Israeli boycott.

In one of his few statements, Mr Arafat responded to death threats against the Palestinian team in Madrid, by saying the delegates "represent every Palestinian man, woman and child, at home and abroad."

It was the same emphasis by Dr Abdul-Shafi yesterday on the Palestinian *diaspora and* their right of return to their homes inside pre-1967 Israel that Israeli delegates may have found particularly hard to swallow.

The complexion of the Palestinian delegation and advisory committee reflects strong PLO influence. Representation was dictated to a large extent by factional allegiances that mirror the balance of strength in the PLO itself.

Thus figures sympathetic to Fatah (Mr Arafat's mainstream *faction) comprise the bulk of* the Palestinian representatives. Among factions not represented is the Popular Front for the Liberation of Palestine led by Mr George Habash who announced yesterday that his organisation was leaving the PLO executive conference, the organisation's cabinet.

Islamic fundamentalists, who are opposed to Palestinian participation in Madrid are also not present.

Mr Arafat may not be sitting at the table in Madrid, but in *the minds of the Palestinians* he is not far away.

As one said yesterday: "You know the spirit of Mr Arafat is here."

Arch-enemies seize the opportunity to insult each other face to face

Four decades of anger unleashed

By Peter Bruce and Hugh Carnegy

ISRAEL and its Arab enemies finally got to insult each other across the Madrid peace conference table yesterday, each one unleashing four decades of anger and hatred around the ornate Hall of Columns in the Spanish capital's Royal Palace.

This was probably a necessary cathartic. "Just two days ago we were reminded that Palestinian terrorism is still rampant, when a mother of seven children and a father of four were slaughtered in cold blood," said Mr Yitzahk Shamir, the Israeli prime minister, in his opening to the conference. "We cannot remain indifferent and be expected to talk with people involved in such repulsive activities."

Former terrorists who, like Mr Shamir, become prime ministers, probably know what they are talking about but his days as a freedom fighter could not have prepared him to be spoken to a few hours later as an equal by the leader of the Palestinian delegates, Dr Haidar Abdul-Shafi.

"We come here wrenched from our sisters and brothers in exile to stand before you as Palestinians under occupation," he said.

"Regardless of the nature and conditions of our oppression, whether the dispossession and dispersion of exile or the brutality and repression of the occupation, the Palestinian people cannot be torn asunder."

No Palestinian has ever spoken to Mr Shamir like that. Mr Shamir, to his credit, sat there and took it. Behind him, his deputy foreign minister, the silvery-tongued Mr Binyamin Netanyahu, pretended to be taking notes. He may be developing tendonitis, however, because away from the table, Mr Netanyahu has been feverishly trying to shake hands with delegates from the Lebanon, Syria and Jordan.

His permanently outstretched hand has so far had no takers, but off-screen handshaking has rapidly become de rigeur in Madrid – journalists are measuring commitment to peace by the amount of times delegates touch each other.

The director of public affairs at the Israeli foreign ministry, Mr Bruce Kashdan, says he and his Syrian counterpart met on Tuesday and agreed to get together again as soon as possible to complain about their employers.

Mr Kashdan has even lent copying paper to the Palestinian press centre to facilitate wider distribution of their anti-Israeli invective.

At one point during the morning Mr Albert Aghazarian, a member of the Palestinian delegation, bumped into an extreme right-wing Israeli MP, Mr Yoash Tsidon. They shook hands and bantered for the camera.

"You have demonised us and we have demonised you," he cried happily.

"I have had 41 years of war," said Mr Tsidon. "The first time I was fired upon was in 1943. The last time was in 1984. I never demonised you. It's just because I respect you that I am so stern on our defence requirements.

"I want to eat humus in your home and I want you to eat humus in my home." Mr Aghazarian said he would settle for gefilte fish.

Getting him in wasn't a problem. But try getting him out again.

You've tried everything. Sticks. Bones. Balls. Sausages. You even kidnapped the neighbour's cat. But the dog refuses to come out.

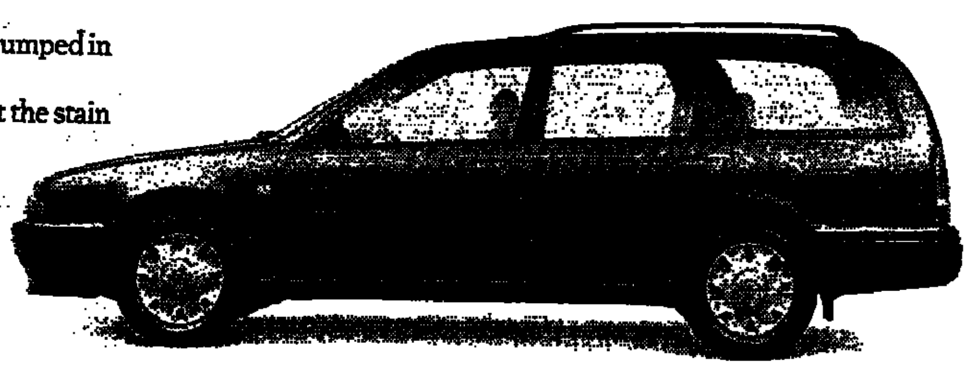
It started when you brought your Primera home. He ran up to its beautiful shape the minute you drove up. Then you opened the wide tailgate. Immediately he jumped in and made himself completely at home. He sniffed at the stain resistant carpet of the huge luggage compartment.

After you folded down one of the separate rear seats, he visited the passenger area. While you slipped into the complete and ergonomically designed cockpit.

You started the two-litre 16-valve engine and watched your dog's tail start wagging. He snuggled into every seat. You hadn't seen him this relaxed in years.

In the end he settled in the back where, thanks to the unique rear suspension, the floor is completely flat.

It's been all afternoon. And you still haven't gotten him out. Maybe it's time to try the postman.



Model shown Station Wagon. Specifications may vary in every country.

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INTERNATIONAL NEWS

Vietnam curbs imports to avoid currency crisis

By Alexander Nicoll in Ho Chi Minh City

VIETNAM has tightened control on imports as part of a drive to conserve foreign exchange reserves, manage its balance of payments and curb the rapid decline of its currency.

The government has advised banks and companies which trade abroad that banks may only make foreign currency available for imports which are seen as essential.

Bankers view the measure not as a response to an emergency but as a sensible step to bring more order into foreign currency dealing in the country.

Mr Nguyen Duy Lo, deputy general director of Vietcombank, the foreign trade bank, said the new controls were in line with advice from the International Monetary Fund.

One company which exports and imports agricultural products said it had received notice from the Commerce Ministry that the import controls would come into effect from November 15.

Imports of goods such as fertiliser, insecticide and fuel – all vital for Vietnam's rural economy – would not be affected, nor would imports of equipment seen as necessary for export-oriented projects.

The Asian Development Bank has projected that Vietnam's current account deficit would be $700m in 1991, compared with $500m in 1990.

Economists estimate that inflation has been running at about 4.5 per cent per month so far this year.

The controls run parallel with new regulations under which all transactions in foreign currencies must be channelled through authorised banks and not between companies or individuals.

They also represent a renewed effort to crack down on rampant smuggling of consumer goods such as cigarettes and motorcycles, most of which come over the Cambodian border, are available in plenty in Ho Chi Minh City and suck foreign exchange out of the country.

Mr Lo said that although efforts could be made to penalise smugglers, a more effective means of controlling excessive currency flows was for Vietnamese banks to provide better service and realistic exchange rates for customers.

Mr Lo is also chairman of the twice-weekly foreign exchange auction at the state bank of Vietnam's Ho Chi Minh City branch.

Indian 'goddess' who tamed the Tamil Tigers

David Housego on the tough new chief minister of the south Indian state of Tamil Nadu

INDIAN voters have always had a fondness for democratic leaders who put on the airs of royalty, as was long demonstrated by the success of the Nehru family in Indian politics.

But few Indian politicians have had such rapid success in instilling a spirit of servility into their party followers as Ms Jayalalitha – the new chief minister of the southern state of Tamil Nadu.

At a dinner in Madras last week an impatient MP from her Tamil regionalist party, the AIADMK, brushed aside a guest and threw himself at her feet. The trend for MPs to prostrate themselves before her had been set by the speaker of the Tamil Nadu state assembly. On being elected to the post, he immediately showed his gratitude to Jayalalitha by casting himself at her feet.

A one-time film star and companion of the late former chief minister, Mr M.G.Ramachandran, Jayalalitha soon showed that she is no political lightweight. She speaks fluent English, grasps complex issues quickly, and is articulate in her responses. "You get very convinced talking to her," says a prominent industrialist. "She is very alert and intelligent."

The doubts focus on her authoritarian style, her intolerance of criticism, and the isolation that stems from the fear that she inspires in ministers, MPs and officials. "Madame", as was said of Mrs Indira Gandhi, is held in as much awe as the gods.

The only woman to head a state government in India, she has won widespread praise during her first three months in power. She has launched a massive police operation to crush the Tamil Tigers – the Sri Lankan separatist Tamil organisation responsible for the assassination of Mr Rajiv Gandhi in June, which was expanding its grip on Tamil Nadu. As a result, she is now a principal target of Tamil Tiger killer squads.

No political lightweight, she wears a cape to hide her weight and bullet-proof vest

She has exploited Tamil nationalism by her tough defence of Tamil interests in a waters dispute with the neighbouring state of Karnataka and with the Congress central government of prime minister P.V. Narasimha Rao. She has wooed industrialists by assuring them that she would take care of industry's labour and infrastructure problems – the two biggest obstacles to further industrial investment in the state. She has equally played the populist card by abolishing a cheap liquor scheme in response to the demands of rural women.

Jayalalitha's importance in the national context is twofold. As an aggressive chief minister who knows her mind, she is at the forefront of a shift in the balance of power that is beginning to emerge between the states and the central government. A weak minority administration in New Delhi, like that of Mr Narasimha Rao, which is also facing acute budgetary difficulties is far less able to manipulate state governments than was Mrs Gandhi or her son Rajiv.

Both chief ministers and regional movements are also drawing strength from the success of the Russian republics in achieving greater autonomy. "We want the right self determination for all nationalities and a confederation at the centre," says Mr P. Nedumaran, president of the Tamil National Movement, which has close ties to the Tamil Tigers. In a flourish of rhetoric increasingly heard, he adds: "This is the only way to keep India together. Otherwise Balkanisation is inevitable."

Jayalalitha, who has taken to wearing a cape in public to conceal both her weight and a bullet-proof vest, has the added strength of an impregnable majority in the state assembly. Her AIADMK fought this year's general and state assembly elections in alliance with the Congress. She won a landslide victory in Tamil Nadu because of disgust at the killing of Rajiv Gandhi in the state.

Since then she has kept her distance from the Congress party, which she regards as poorly led and fragile politically. In private she has talked of the possibility of an alliance with the radical Hindu BJP if it should consolidate its power in the north. On one occasion she even threatened to bring down the Narasimha Rao government by withdrawing her party's support for it in parliament. But she overplayed her hand and the prime minister was able to call her bluff.

The second reason for Jayalalitha's importance is that central and state governments depend on her to crush the Tamil Tigers. The Tigers are the most ruthless terrorist movement in south Asia and have been supplying arms and training to other separatist or extremist organisations, including the insurgency movement in Assam and Naxalite revolutionary groups in Andhra Pradesh and Karnataka in the south.

Jayalalitha: grown politicians fall at her feet

Under the previous Tamil Nadu government, the Tigers were able to establish a sizeable presence in Tamil Nadu which alarmed the police and the prime minister's office in Delhi. "The police had been warning that if armed elements [of the Tigers] are allowed here it will result in a gun culture that we will not be able to contain," says Mr Walter Davaram, inspector general of police.

He claims that over the last three months, the Tigers' supply and communications networks have been smashed. But he warns that if the Tigers were again able to secure political patronage from within the Tamil Nadu government, they could rapidly restore their position. Most Indian Tamils sympathise with the Tigers as the main defence of Tamil interests in northern Sri Lanka.

As part of her crackdown against the Tamil Tigers, Jayalalitha has banned public meetings and Tamil militant movements. Her opponents say that Tamil Nadu is virtually under emergency rule. Those who sympathise with her are more worried that the sycophancy of ministers and officials will further isolate her from the advice she needs to be a successful chief minister.

Hanoi and Beijing ready to resume ties at summit

By Yvonne Preston in Beijing

TWO DECADES of hostility between China and Vietnam are expected to end next week at a summit meeting to be held in Beijing.

Mr Vo Van Kiet, Vietnam's prime minister, and the head of the Vietnamese Communist party, Mr Do Muoi, are due to arrive in the Chinese capital next Tuesday for a four-day official visit during which diplomatic relations may be fully restored.

A spokesman for China's foreign ministry was non-committal yesterday about the outcome of next week's talks, saying only that it would focus on the issue of normalisation and "questions of common concern to both sides". News of any agreement would be released "in due course".

Nevertheless, the momentum for a return to normal has gathered pace in the last two months, with a series of high-level Vietnamese visits. In August, the deputy foreign minister came to Beijing, followed by the foreign minister, Mr Nguyen Manh Cam, at the beginning of September.

Mr Cam saw his visit as "an important step in the process of complete normalisation of Vietnamese-Chinese ties". Chinese spokesmen were more circumspect.

The two sides are being drawn inexorably closer to each other by a shared Communist ideology, now in a state of collapse elsewhere, and by mutual anxiety about events in eastern Europe and political chaos in the Soviet Union.

Political reforms in the Soviet Union, Vietnam's one-time backer, have helped move Hanoi closer to its old adversary. The neighbours fought a brief border war in 1979 after Vietnam invaded Cambodia and toppled China's allies from power in Phnom Penh.

The likelihood of peace in Cambodia has also helped smooth the way for the restoration of Sino-Vietnamese relations.

Local Chinese authorities along China's border with Vietnam are already pushing hard to expand cross-border trade. There are indications that a rail route through China from Nanning to Hanoi is to be re-opened.

Iran and China dismiss nuclear weapons charges

IRAN and China, shrugging off suggestions that they are secretly co-operating on an Iranian nuclear weapons programme, said yesterday that they would work together more closely in all fields, Reuter reports from Nicosia.

China said it was helping Iran develop nuclear energy for peaceful uses but denied that it was helping Tehran produce nuclear weapons.

Mr Ali Akbar Hashemi Rafsanjani, the Iranian president and Yang Shangkun, his Chinese counterpart, who is on a four-day visit to Tehran, pledged increased co-operation in talks in the Iranian capital.

"The US and its allies are not glad at our friendly co-operation and through propaganda campaigns are accusing us of clandestine co-operation to produce nuclear weapons," Mr Rafsanjani said in remarks carried by Iran's news agency, Irna. US officials say Iran may be actively seeking to develop a nuclear weapon and has bought equipment from China capable of enriching uranium.

Zambia's well-tempered voters shun violence

By Patti Waldmeir in Lusaka

AT THE Muchuko secondary school in the rural Kafue district of Zambia, two young men sit side by side on a bench, companionably watching their neighbours vote in Zambia's first multi-party elections since 1968.

One is a party agent for the United National Independence Party (UNIP) of Mr Kenneth Kaunda, which has ruled Zambia since independence in 1964. The other represents the opposition, the Movement for Multiparty Democracy (MMD), which threatens to unseat Mr Kaunda, Zambia's only post-independence president.

In theory, the two are bitter rivals. But at Muchuko school – where broken windows and missing desks illustrate the grievances that prompted people to vote – there is no sign of animosity.

By all accounts, this peaceful pattern was repeated throughout the country yesterday – reflecting in part the weight of national and international scrutiny of the elections. At each of the 3,489 polling stations, the aim was to have at least one observer from each of the two main parties as well as one each from Zambia's two independent observer groups.

Zambian monitors were watched in turn by several different teams of international observers, who did spot checks.

Mr Jimmy Carter, former US president led the largest team, with 40 observers. Twenty monitors from the Commonwealth were present, along with smaller teams from the Organisation of African Unity, the UK Law Society, and the Nordic countries.

Controversy arose over the fact that ballot boxes had to be transported to a central point for counting. But with election agents from both sides travelling in the same vehicle with the ballots, the threat of rigging was minimised.

Opposition leader Frederick Chiluba at a Lusaka rally

The state of the electoral register itself caused more concern with a dispute centred on the number of eligible voters in Zambia's 8m population. The MMD claims that as many as 2m voters were left off the register, while government officials say that the list of 2.9m represents most of the 3.2m eligible to vote. The MMD has said it will challenge the roll in the court if it does not win the election.

The campaign was not without some intimidation, media reporting was not faultlessly objective, and the register may have been flawed.

But unless the ballot counting goes badly wrong, Zambia's elections could prove a model for Africa.

S African upturn forecast

By Philip Gawith in Johannesburg

PROSPECTS for a revival in the South African economy have improved significantly in recent months and the country can look forward to positive economic growth in 1992, Mr Chris Stals, governor of the Reserve Bank, said yesterday.

He predicted a turnaround in the previously low levels of inventories and fixed investment which he said would pick up soon, accelerating public expenditure, improving international perceptions of South Africa and providing a more stable domestic financial situation.

Next year should see real growth in gross domestic product of about 1-2 per cent following a 1 per cent decline in gross GDP in 1990 and an anticipated ½ per cent decline in 1991.

Mr Stals said the country's improved balance of payments and foreign reserves position gave greater scope for accommodating a sustainable upturn in the economy. He said the country would run a current account surplus of close to R6bn ($2.06bn) this year while net outflows on the capital account were likely to be less than R2.5bn. This compares to an average net capital outflow of about R5bn per annum in the period 1985-90.

Mr Stals acknowledged that the improvement in the capital account was the result mostly of short-term, trade-related inflows of funds, but said there were encouraging signs of changes in the net flow of long-term capital.

Further evidence of improved sentiment towards the country comes in the form of the narrowing of the discount of the financial rand – the investment currency for foreigners – to the commercial rand to 8.6 per cent on Wednesday from 25.3 per cent at the end of 1990.

NEWS IN BRIEF

Queensland drops Bjelke-Petersen case

SIR Joh Bjelke-Petersen, the former premier of Queensland, will not be retried on perjury charges, Mr Doug Drummond, the state's special prosecutor, announced yesterday, Kevin Brown reports from Sydney.

The decision ends a year of uncertainty for Sir Joh, who ran Australia's conservative "deep north" state for 19 years until he was dropped by the National Party in December 1987.

Sir Joh's first trial ended inconclusively after a jury failed to agree on charges that he lied to a Royal Commission investigating allegations of corruption among ministers and officials. Corruption charges against 80-year-old Sir Joh were dropped at the beginning of the first trial. Mr Drummond said it would not be in the public interest to have a retrial because of Sir Joh's age, his retirement from politics and because witnesses from overseas might not be available.

EC reform grants for Africa

Five African nations have become the first beneficiaries of EC development aid aimed specifically at encouraging economic reorganisation, writes Andrew Hill in Brussels.

A total of Ecu116m ($140m) has been granted to Uganda, Benin, Burkina Faso, Mali and the Gambia from the Ecu1.15bn of structural adjustment funds which were included for the first time in the 10-year Lomé convention on development aid signed two years ago. Separately, The European Commission announced emergency aid, in the form of an Ecu1m credit line, to help relieve the crisis in Zaire.

Tension in Zaire as troops leave

Zaire's new government suffered a first defection to the opposition yesterday while Belgium's announcement of a final troop pull-out raised further anxiety, Reuter reports from Kinshasa.

With the opposition on a collision course with President Mobutu Sese Seko, Belgium said its last soldier would leave Zaire today. The opposition now fears bloody reprisals from Mr Mobutu's troops.

Lisbon pressure over East Timor

Portugal is pressing Indonesia to drop a ban on an Australian journalist so that a Portuguese parliamentary delegation can visit the disputed territory of East Timor under the terms of a UN-negotiated accord, writes Peter Wise in Lisbon. Portugal will send parliamentary delegations to all EC member states, the US, Japan and other countries to explain why it considers Indonesia's veto of Jill Jolliffe, one of six foreign journalists invited by Portugal, is a violation of the terms of the visit.

Marcos son returns to Manila

The son of President Marcos flew back to the Philippines yesterday, the first member of the Marcos family to return from exile since the late dictator was overthrown almost six years ago, Reuter reports from Manila.

His mother, Imelda, is due to return home in four days.

Menem sweeps away economic regulations

By John Barham in Buenos Aires

ARGENTINA is sweeping away dozens of rules, regulations and restrictions accumulated during 60 years of state control of the economy, in an attempt to improve economic efficiency and further reduce inflation.

President Carlos Menem yesterday signed a decree closing dozens of government agencies and eliminating the often petty bureaucratic controls on private business activities. He said the reforms would unleash the power of the market to stimulate economic growth. The decree, which has the force of law, does not require prior congressional approval.

Officials emphasised that controls would be tightened in health care, urban planning, competition policy and environmental protection.

The deregulation package would abolish minor restrictive practices, such as that allowing only pharmacies to sell aspirins. More fundamental barriers to economic efficiency, such as the 36 agencies involved in regulating foreign trade, would be abolished.

The Argentine economy remains burdened by huge inefficiencies born of over-regulation, despite Mr Menem's considerable success in introducing market reforms and reducing trade barriers since he took office in July 1989. Economists say restrictive practices, bureaucracy, corruption and inefficient infrastructure cost the public and private sectors over \$8bn (£4.6bn) a year in added costs.

Mr Domingo Cavallo, economy minister, has been struggling since he took office in February to win congressional approval for a battery of bills deregulating individual sectors of the economy, such as the port system and the labour market. Apparently tired by the resistance of congressmen Mr Cavallo has now opted for a presidential decree.

The government clearly hopes that the greater efficiency and stronger economic growth it expects to flow from the reforms will help reduce inflation, currently 1-2 per cent a month. While very low by Argentine standards, inflation at these levels threatens Mr Cavallo's policies, which hinge on a fixed exchange rate.

Peru sets out to win back investors' confidence

Terrorism and human rights are still problems in the search for foreign money, writes **Sally Bowen**

PERUVIAN President Alberto Fujimori, returning home this week from an eight-day tour of Europe with more than \$300m (£174m) in further EC and Spanish aid, immediately promised continued "aggressive economic diplomacy" in Europe and a tour of the Far East in search of investment.

The businessmen in his entourage stressed that the European trip was just the beginning of a long process to win back investor confidence. "We have to prove that we really are a new country," said Mr Jorge Camet, president of the business confederation Confiep. "Re-establishing financial relations was just the start – now it's a question of a series of face-to-face contacts with our European counterparts."

In Belgium, France, Spain and Italy, Mr Fujimori fought hard to promote the image of a new Peru. A political unknown until he snatched unexpected victory in last year's elections, he can justifiably claim some positive results.

Immediately upon taking office – and going totally counter to his "no-shock" election pledge – he instigated a draconian economic stabilisation plan, correcting price distortions overnight. Since then, his government has refused to print money to subsidise inefficient and loss-making state-owned companies. Public sector wages have remained frozen for nine months, and a long-overdue slimming-down of Peru's bureaucracy is under way.

Inflation is not yet dead, but the 5.8 per cent recorded for September was the most encouraging for months. International reserves, negative when Mr Fujimori took office, stand at about \$1bn. The tax collection rate, while still an inadequate 8 per cent of gross domestic product, has doubled since early 1990. An avalanche of legislation has liberalised external trade, revolutionised land laws and made Peru the most liberal régime in Latin America – with the possible exception of Panama – in terms of foreign currency transfer and holdings.

Less than six weeks ago, the International Monetary Fund approved the country's economic stabilisation programme. Peru moved swiftly to reschedule its entire \$6.6bn debt with the Paris Club, winning unprecedentedly favourable terms and 15 months' grace on repayments. And the Inter-American Development Bank agreed an initial \$425m tranche of aid to help strengthen structural reforms and start repairing long-neglected infrastructure.

Fujimori (left) and Bolona: taking "aggressive economic diplomacy" round the world

While Mr Fujimori was meeting European heads of state, Mr Carlos Bolona, economy minister, negotiated in Tokyo the rescheduling of Peru's \$400m public debt with Japan. The terms provide for repayment at concessionary rates over 30 years with 10 years' grace.

With international financial relations resumed, Peru's focus must shift towards strengthening existing trade relationships and opening up new markets. Attracting private investment is now considered a priority even by the left-wing groups who traditionally opposed it.

The EC is becoming an important trading partner. Peru's exports to the EC were more than \$1bn last year, about a third of the total, while imports from the EC are also rising – from \$390m in 1989 to \$580m last year, according to Peru's Central Reserve Bank. The EC earlier this year cut or eliminated tariffs for a range of Peruvian products in an effort to support economic alternatives to the illegal coca trade. On the other hand, the EC's share of direct foreign investment in Peru is small. Of an estimated \$1.2bn in total investment in 1989, nearly half was from the US, only 12 per cent from the EC.

Recent legislation guarantees identical treatment for foreign and domestic investors, allows full remittance of capital, profits, dividends and royalties in any currency at any time, and eliminates cumbersome prior approvals. Peru has also joined the World Bank-sponsored Multilateral Investment Guaranty Agency (MIGA) scheme, which provides insurance for foreign investors against political risk and uncompensated nationalisation.

With depressed levels of internal savings, Peruvian industry is anxiously seeking foreign money. Investment has been minimal for a decade and is urgently required in the decapitalised mining sector, while exploration of promising Peruvian oil fields lags far behind development in neighbouring Colombia and Ecuador. Peru has comparative but undeveloped advantages in textiles and agro-industry.

However, despite all of Peru's potential, terrorism remains a disincentive for investors. Recent encouraging signs – such as the long-awaited constitution of the multi-sectoral "Council for Peace" and greater army emphasis on civil assistance rather than repression – have yet to make an impact on the level of violence.

The human rights issue also continues to cause international concern. Good intentions on the part of the executive are not sufficient to reverse a long record of police and army abuse, although recently granted permission for the International Red Cross to visit detainees held by security forces is considered an advance.

The "Fujimori Doctrine" on drugs – which aims to combat the cocaine trade by offering legality to coca-growers provided they commit themselves to gradual crop substitution – was apparently well received by the president's European hosts, as it had been in Washington. One of the least publicised but most promising of last week's initiatives may prove to be the commitment from a collection of private multinational companies to help in the substitution strategy.

NY financial woes shade Cuomo's presidential hopes

By Martin Dickson in New York

THE growing financial difficulties of New York state are posing problems for Governor Mario Cuomo, as he weighs whether to run for president in 1992.

The state, hit by a sharp regional recession, faces a \$689m (£400m) budget deficit in this fiscal year. The Cuomo administration said the potential shortfall in the \$29bn budget, half-way through the fiscal year, stemmed from lower than expected revenue collections and increased social services spending due to the unexpected depth of the recession.

Mr Cuomo will produce plans to eliminate the gap in the next week and has called on the state legislature to reconvene for a special session to deal with the problem. Mr Cuomo has been debating whether to enter the race for the Democratic presidential nomination, and most political analysts believe his national reputation and powers of oratory would make him by far the toughest opponent for President George Bush.

However, Mr Cuomo, who in typical style has been publicly agonising over the decision, says he finds it difficult to see how he could run for president while still being governor, and that if he quit the governorship he would be accused of abandoning New York in a crisis for his own ambitions.

The size of the deficit, and the problem of dealing with it in the midst of a presidential campaign, will now make his decision all the harder. The shortfall will also give the Republicans more economic ammunition, should he decide to run.

Republican strategists are already excited at the possibility of a television advertising campaign focusing on New York state's heavy tax burden, low bond rating and the crumbling, crime-infested infrastructure of New York city.

However, Mr Cuomo argues that the state's plight can be turned back on the Bush administration as an example of Washington's neglect of national social problems while favouring the wealthy. His aides point out that another Democratic New York governor, Franklin Delano Roosevelt, won the presidency in 1932 despite – or because of – the depression which overwhelmed both New York and the nation.

El Salvador peace hopes rise

THERE could be peace in El Salvador by Christmas, according to US Assistant Secretary of State Bernard Aronson, and therefore Congress should not try to impose new restrictions on US military aid there, Reuter reports from Washington.

But several members of Congress said at a House of Representatives foreign affairs subcommittee hearing that US support for peace negotiations must not give El Salvador's military free rein.

Mr Aronson told the subcommittee on Wednesday he was optimistic even though violence and war continue in El Salvador, some rebels still plan urban warfare and assassination and conservative extremists continue to threaten UN-sponsored peace negotiations.

"The momentum in El Salvador towards peace is strong and, barring catastrophe, I believe it is irreversible," he said. "The guns of war could be stilled in El Salvador by Christmas.

"Frankly, I find it incomprehensible that some members [of Congress propose military aid restrictions] that would risk sending new and dangerous signals to the parties involved in the process just as peace is becoming visible."

But Representative Robert Torricelli, chairman of the subcommittee conducting the hearing, was among members supporting restrictions on US military aid to El Salvador.

Mr Torricelli and Representative Mel Levine introduced a bill that would transfer \$10m (£5.8m) of the \$80m in US military aid approved for El Salvador to economic aid accounts.

It would transfer half the remaining aid to economic aid if the two military officers convicted in the murders of six Jesuit priests, their housekeeper and her daughter were granted pardons or amnesty.

Chile move on political prisoners

THE Chilean government yesterday obtained a court order to force-feed six political prisoners who have been on hunger strike for a month in protest at their imprisonment, Leslie Crawford writes from Santiago.

About 50 political prisoners remain in Chile – mainly left-wing guerrillas who fought against Gen Augusto Pinochet's 1973-90 dictatorship. President Patricio Aylwin decided not to decree a general amnesty when he took office in March 1990. Instead, he has reviewed each case individually.

The long review process has delayed a solution to one of the most delicate problems inherited from the military regime. It has frustrated the prisoners and their families, who had expected an immediate solution from the new civilian government.

A "free political prisoners now" campaign is rapidly growing in strength and becoming more violent. There are weekly demonstrations outside the grey-brick Capuchinos jail in central Santiago. The last protest was marked by the appearance of Molotov cocktails and other incendiary bombs. Police dispersed the crowd with water cannons.

Left-wing students have also held demonstrations at their universities.

Most of the 340 political prisoners held when Mr Aylwin took office were released on bail, as many had been in jail for years awaiting trial. Some convicted prisoners received presidential pardons.

Most of the 50 guerrillas who remain in jail have been convicted of crimes of violence – although human rights groups say the trials were fraudulent as they were based on confessions extracted under torture.

Alternative transport policy to be launched

By David Owen

A VISION of a world with no car advertising and petrol costing more than £5 a gallon is expected to be conjured up by the Green party when it unveils a comprehensive new transport policy on Monday.

The measures will be part of a programme to engineer a significant shift away from the private car and towards the use of public transport.

The party believes this is the only viable way of securing a meaningful reduction in transport-related pollution, particularly carbon dioxide emissions, over an acceptable time span. It claims to be the first UK political party to spell out what transport policies are required.

Next week's policy document is also expected to suggest ways in which individuals' need for transport may be reduced altogether. These may include recommendations regarding the siting of buildings used regularly by the public, such as offices and supermarkets.

Green party leaders are already on record as advocating higher petrol and car licence duties as part of a strategy of reducing society's overall energy consumption.

They have argued that carbon dioxide emissions in Britain should be reduced much more rapidly than is the government's present intention.

Traffic threat to London's role in Europe

By Richard Tomkins and John Willman

REDUCING traffic congestion in London requires a London-wide strategic body, a draconian crack-down on persistent illegal parkers, a new superbus service and high-tech policing and information systems, the National Economic Development Office (Nedo) said in a report published yesterday.

The report, which uses London as a model for its recommendations, suggests the city's role as a centre for financial services is vulnerable to competition from other European capitals.

Managing demand through road pricing may also be necessary, the report says, though any revenue from charging should be used to improve London's transport system.

The report, from Nedo's Traffic Management Working Party, predicts creeping paralysis in Britain's urban areas, as city centre rush-hour conditions gradually spread into other periods of the day and into adjacent areas.

"The result will weaken the economy, worsen the environment and make the UK a less attractive place to live, both in absolute and relative terms, for an increasing number of people," the report says.

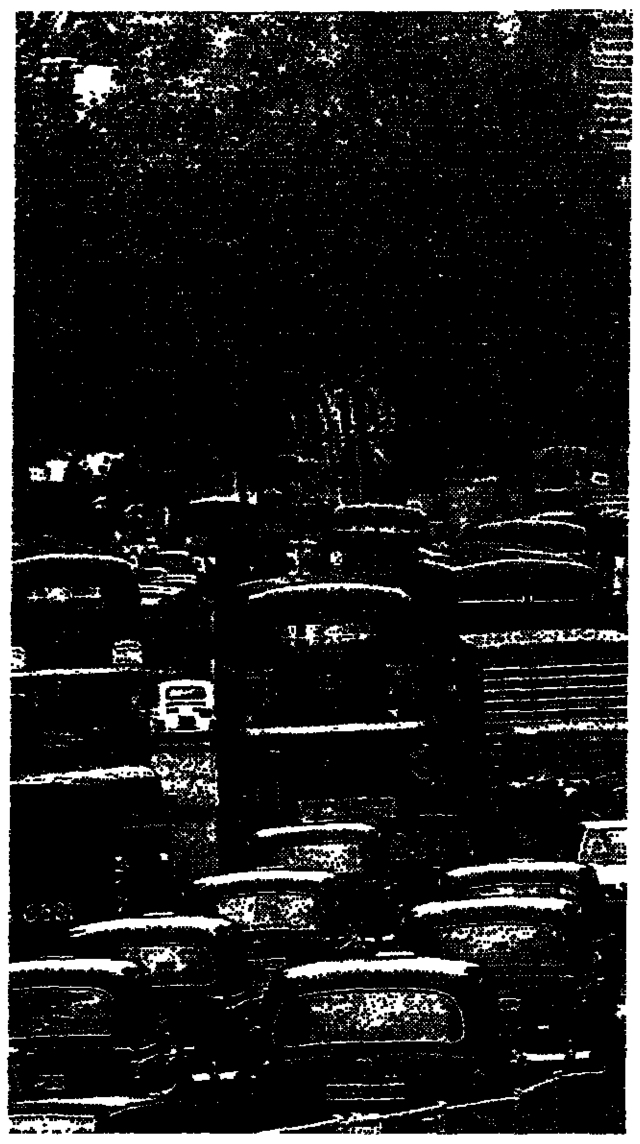
A strategic body, however, is needed to co-ordinate and regulate land use planning and transport in London, currently the responsibility of some 50 separate bodies. The working party chairman Dr John Ashworth warned yesterday that piecemeal actions to reduce traffic congestion would be resisted by potential losers.

"Our package is designed to make everyone a winner," he said. "It should be implemented in its entirety if London is to remain *the* world city in Europe."

The report recommends discouraging car-owning commuters from driving to work by giving local authorities the power to impose a charge on businesses providing parking spaces. It also suggests transferring vehicle excise duty on to fuel so drivers pay according to the distance they drive.

Dr Ashworth, who is director of the London School of Economics, believes that a longer-term solution to London's problem is likely to involve road charging. A NEDO survey showed that the majority of Londoners would find road charges acceptable in peak periods in central London, provided the revenue was invested in public transport and roads.

Buses are seen as having particularly great potential for the relief of congestion because they are the only public transport mode with substantial spare capacity immediately available.



Logjam: London suffers from a 'creeping paralysis' and the economy could suffer, warns the Nedo working party

Britain takes lead in researching road congestion

By Richard Tomkins, Transport Correspondent

ONE beneficial spin-off of Britain's traffic congestion difficulties is that they have put the country at the forefront of research into a technology with immense potential.

The world market for systems which monitor and manage traffic – an area of study known as road transport informatics – could be worth £27bn by 2010, Nedo says in its report.

Britain is currently ahead in the evolution of many traffic management systems, the report says: but it warns that Japan and the US are catching up fast.

Key technologies in the field of road transport informatics include systems for controlling traffic flows with traffic lights, in-car route guidance systems, video surveillance, automatic vehicle location, and electronic road pricing systems.

Nedo says the market for these technologies is set for explosive growth as congestion worsens. The day is probably not far off, for example, when route guidance systems will be fitted as standard in more expensive cars.

Britain has taken the lead in most of these technologies, the report says. Siemens Plessey and GEC Marconi, for example, have already developed electronic road pricing systems.

However, Nedo adds: "As in so many markets, the UK is renowned for its research, but not for making it a commercial success. This also applies to the technological developments in the field of road transport."

The report says it is vital that new means of funding are explored to help with the development of traffic management products. British companies, it urges, must become more involved with EC projects.

It also recommends the establishment of a national information centre to promote the development of road transport informatics, as in Japan with the Japan Traffic Management Technology Association and in the US with the Intelligent Vehicle Highway Society of America.

Application of technology in pilot schemes is also essential, it says to provide a shop window for British technology.

- Traffic wardens will wield hand-held computers as a deterrent to illegal car parkers envisaged by Nedo.

As things stand, the working party's report says, the low detection rate of illegal parking means the average cost of parking on a double yellow line is much less than the price of one hour's lawful parking in London.

The NEDO working party recommends a substantial increase in the traffic warden force to reverse the imbalance. It also wants to see technology employed to correct some of the inefficiencies of the present penalty notice system.

BRITAIN IN BRIEF

Five bid for £2bn defence contract

Invitations to tender for one of the biggest UK defence contracts expected this decade have been issued by the Ministry of Defence.

Five electronics companies and consortia will bid to define, develop and produce the Bowman system - a new generation of battlefield mobile communications for British military forces. The project could eventually be worth up to £2bn.

The companies invited to tender were British Aerospace (Military Aircraft), GEC-Marconi (which has teamed with Thomson-CSF, the French electronics group), ITT Defence International, SEK-ALCATEL, and Siemens Plessey Defence Systems. It is understood that British Aerospace will team with ITT.

Workplaces shut in raids

Government inspectors have carried out the largest series of health and safety raids ever on 1,416 factories and other workplaces, shutting down 31 and demanding that another 116 improve safety standards immediately. Five companies are being considered for prosecution.

The raids, by 50 Health and Safety Executive (HSE) inspectors and 55 environmental health officers seconded from local authorities, took place last week in West Yorkshire, South Yorkshire and north-east England. Dr Allan Sefton, HSE director and campaign organiser, said: "A significant minority of employees were working in such dangerous conditions that inspectors had to take immediate action. Hazards faced included unguarded machines, flammable liquids and harmful substances".

SEAT in drive on jobs

SEAT, Spain's biggest car maker, has singled out north-east England in a recruitment drive. The Volkswagen subsidiary has selected the region as the first area outside Spain to be targeted in its search for employees for the new plant it is building at Martorell, near Barcelona. SEAT said Nissan's favourable experience of north-east England had prompted the advert.

Byatt warns on competition

Mr Ian Byatt, (pictured above) director general of Ofwat, the industry's economic regulator, has raised the prospect of more competition within the water industry, beyond that already proposed. He welcomed the government's current plans to introduce an element of competition, which will form part of the Citizen's Charter outlined in the Queen's Speech, (background, Page 12) and hinted he was considering other ideas.

Launch of new forward market

The world's first wholesale forward market in electricity has been opened in London. The market was launched by GNI, the derivatives broker subsidiary of the London commodity broker Gerrard and National.

Electricity sellers and buyers seeking contract cover to protect them from fluctuations in the wholesale electricity market or pool have been practising trading contracts for the last two weeks. The new market will make it easier for the industry to swap and manage exposure to fluctuating prices.

Rise in pension problems

Enquiries to the Occupational Pensions Advisory Service (Opas) have doubled in the last six months. Opas, which offers free advice to those who have encountered problems with their pensions, also says that out of 12,000 enquiries received in the past six months, 1,400 required detailed investigation – four times the number of serious cases for the same period last year.

More than a third of problems arise when employees leave their jobs or try to transfer their pension from one job to another. "Transfers are a perennial problem," said Mr Donald Hall, chief executive of Opas. "Delays in payment are a common problem, as is the failure of trustees to provide information regarding transfers."

BNFL submits application

British Nuclear Fuels has for the first time submitted a planning application directly linked to promises that, if its request is approved, it will spend money on the community affected by its operations.

The planning gain proposal is linked to a BNFL application for outline planning permission for eight new storage plants for intermediate nuclear waste within BNFL's Sellafield reprocessing site in West Cumbria.

Courtaulds to close factories

Two midlands lingerie factories are to close with 200 job losses, Courtaulds Textiles, one of the UK's leading textiles companies has announced. A reorganisation of Sheers, the women's underwear manufacturer within the clothing division of Courtaulds, means that factories at Royston in Hertfordshire and Biggleswade in Bedford will close.

T.S. Eliot poems found

A farmer sorting through an attic full of his late wife's belongings nearly threw out a hoard of letters and unpublished poems by the poet T.S. Eliot, the British Library has said. The collection goes on display in London next week.

Some people are being conned by TV commercials.

The people who pay for them.

YOU ARE all too aware of the high costs of advertising on television. When you receive the bill, however, you will no doubt be comforted by the knowledge that television commands a huge audience and gives your brand status because of its impact and intrusiveness.

At least, in common with hundreds of people in your position, this is what you have been told it does.

But just how intrusive is it? A revealing new piece of research confirms that television has far less impact than most advertisers are being told.

By putting a hidden camera into their television sets, a research psychologist called Dr. Peter Collett was able to video people 'watching' the commercials.

Let's assume that your television budget is £10 million. How much of that money is actually doing you any good?

Dr. Collett saw (literally) that 20% of the commercials played to an empty room.

That's £2 million of your money spent communicating with inanimate objects.

Another 10% of the commercials were missed as people used the breaks to flick through other channels. Curiosity accounts for a further £1 million of your money.

Of the remaining 70% of the commercials that could have been seen, half were missed whilst the audience behaved as if the television wasn't there. (Some didn't behave at all, they just canoodled).

Which means that only one third of the commercials got the benefit of the viewers' attention.

Around £7 million of your £10 million was totally wasted.

Now you know that television is less than half as effective as you thought it was. Or put another way, more than twice as expensive.

To the advertising world, however, this will not be a bolt out of the blue.

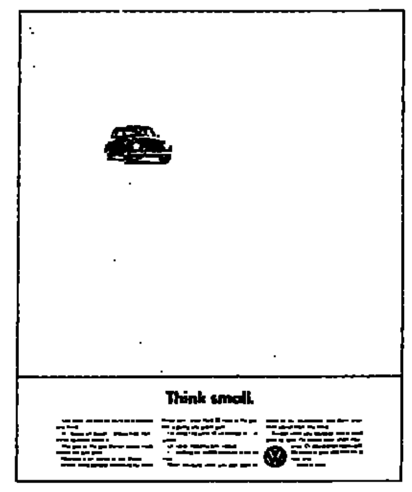
For years the advertising industry has known that millions of people do not watch the commercial breaks.

It is well-known, for instance, that during the break after Coronation Street, the power and water industries experience massive 'surges' of demand.

What could this be but millions of ITV viewers abandoning their sets to put the kettle on?

In fact a long line of research studies beginning as long ago as 1956, has cast doubt on how much attention viewers pay to commercials.

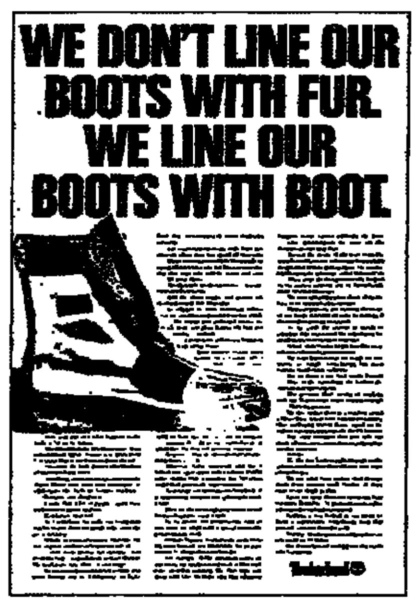
The problem is that if you hadn't read about Dr. Collett's research here, most advertising agencies wouldn't have fallen over themselves in a rush to bring it to your attention.



Naturally the television companies cannot wish to highlight these facts.

But why should some people in the advertising industry join in a conspiracy of silence?

The explanation is probably as simple as this: that some ad agency managements, 'creative' people, and even some clients, think that going on television will make them more famous, win them more plaudits and, ultimately, make them richer than advertising in the press.



An idea that is, if nothing else, rich in irony.

For Dr. Collett observed that some people who stop watching television during the commercials pick up a newspaper.

The point of this advertisement is not to imply that television is a complete waste of money.

Nor is it to suggest that you demand of your agency that television never again appear on your media schedule.

It is to ask why they have not kept you in touch with the real story about how people watch television (or don't watch it).

And why they have not written you a press campaign as powerful as the ones featured here for V.W. and Timberland.

If you'd like more information, please call 071-433 1500.

PEOPLE READ NEWSPAPERS

This advertisement was placed by the Newspaper Publishers Association.

UK NEWS

THE LEGISLATIVE PROGRAMME

Major underlines commitment to European accord

MR JOHN Major, the prime minister, underlined yesterday his hopes of a deal with Britain's European partners at the Maastricht summit as the opening of the last session of the present parliament foreshadowed a lengthy and bitter general election campaign.

Setting out his legislative programme in the Queen's Speech Mr Major also gave a broad hint that public spending would rise significantly again next year.

He also offered a specific and indefinite commitment of increased real resources for the state-run National Health Service.

The House of Commons debate was characterised by acrimonious and ragged exchanges between Mr Major and Mr Neil Kinnock, leader *of the Labour opposition.*

Mr Kinnock derided the prime minister for refusing to call an election this autumn, while Mr Major accused Labour of abandoning entirely its principles in the pursuit of victory in the election.

Tory MPs jeered when Mr Kinnock replied that the government had not secured satisfactory undertakings on regional policy, growth policy and employment, without which Britain would be taken "naked" into the new arrangements in the EC.

In a lengthy section of his speech on Europe the prime minister signalled the crucial importance for his government of securing a deal on economic and political union in Maastricht in December.

The prime minister, closely watched by Mrs Margaret Thatcher, *his predecessor, from a seat in the upper-gallery directly opposite the* Treasury despatch box, said the government was working for an agreement at Maastricht.

But he said, "It must be an agreement which I could make in the confident expectation that I could commend it to this House."

The prime minister made clear that any agreement reached at the Maastricht summit in December must leave it to a future parliament to decide whether Britain accepted a *single European currency.*

He replaced recent criticism of interference from Brussels in domestic British affairs with a much more positive tone, commenting that: "We too often overlook the extent to which Britain leads the Community: and too frequently recall the difficul*ties we sometimes face in it".*

Mr Major indicated that Britain would have to compromise in some areas. The issues would not be laid out in "black and white" and there would be "hard judgments to be made", he said.

But on the eve of crucial bilateral talks in Bonn with Chancellor Helmut Kohl, he set out the parameters for a deal which he could recommend to parliament.

Announcing that he would open a two-day debate on the summit in three weeks time, Mr Major repeated that Britain would not accept the imposition of a single currency.

He then identified the key obstacles to a deal on political union as: new European defence structures which undermined the role of NATO; amendments which weak*ened Britain's control of judicial, police and immigration matters;* and proposals to enhance the powers of the European Parliament.

All three are areas in which Germany is pressing for substantial advances. German officials in Bonn were yesterday gloomy about the prospects that they would be bridged at today's meeting.

On the Strasbourg assembly Mr Major signalled, however, that Britain's refusal to allow it equal powers of decision-making with the Council of Ministers did not preclude some increase in its authority.

He also insisted that strengthened powers for the European parliament should be focused on improving the accountability of the unelected European Commission and not erode the position of national parliaments.

The legislative programme unveiled yesterday contained no surprises with the bill to introduce the Council Tax likely to dominate parliamentary business.

The text of the Queen's Speech, however, hinted that next week's autumn statement will show that the government will not meet its *objective next year of reducing the* share of public spending in the economy.

That would mark the fourth consecutive year in which the target has been missed.

Ministers, however, said last night that the combination of recession and pre-election pressures for substantial increases in spending on health and other sensitive areas made an overshoot inevitable.

Joe Rogaly, Page 23

MAIN POINTS

- Legislation to replace the community charge or poll tax with a new council tax with effect from April 1 1993 will be introduced. The new tax will be based on the capital value of property. The bill would also allow the government to restrain increases in local-government spending by capping budgets.
- A bill to transfer control over colleges of further education and sixth-form colleges from local councils to a new independent sector of further education will be introduced and new further and higher-education funding councils established.
- Legislation enabling the government to abolish British Gas's statutory monopoly for gas supply up to 25,000 therms per annum will be introduced. The four utility regulators will be given fresh powers, including the ability to set guaranteed service standards for individual consumers.
- A bill intended to accelerate and simplify decision-making in asylum cases will be introduced, providing for a streamlined appeals procedure and the power to fingerprint applicants.
- A bill transferring statutory responsibility for offshore safety from the Department of Energy to the Health and Safety Commission and Executive will be introduced.
- Legislation will be presented to create a new offence of prison mutiny, carrying a maximum penalty of ten years' imprisonment. The maximum penalties for both aiding a prisoner to escape and harbouring an escaped prisoner would be lifted to 10 years' imprisonment.
- Legislation reforming current arrangements for authorising rail, inland-waterway and harbour projects by private act of parliament will be presented. New legal powers and penalties relating to drink and drug abuse by staff operating public-transport systems would be introduced.
- A policy paper on options for privatising British Rail is expected about the end of the year. Legislation for the privatisation of both BR and British Coal would be introduced in the next parliament.
- Britain will continue to put pressure on Iraq to comply with United Nations resolutions including the elimination of its missiles and other weapons of mass destruction. The government also underscored its insistence that Nato must remain the cornerstone of the defence of Britain and Europe.
- The prime minister plans to join other world leaders at a United Nations conference on environment and development in Brazil next June.
- Redevelopment of Cardiff's docklands, the biggest scheme of its kind outside London, will be boosted with a bill enabling a £125m barrage to be built across Cardiff Bay.

Refugees to get speedier decisions on asylum

THE GOVERNMENT'S asylum bill referred to in the Queen's Speech yesterday is designed to speed up processing of appli*cations and reduce the number* of what it perceives to be bogus requests for asylum.

The proposals, which are expected to be published today, include finger-printing new applicants and introducing "fast track" appeal procedures for those who fail to win political asylum.

They complement wider measures already being introduced to accelerate decisions on asylum, *deny immigrants* the right to free legal advice, and place greater onus for screening refugees on to airlines and other companies *which transport them to* Britain.

Both Mr John Major, the prime minister, and Mr Kenneth Baker, the home secretary, *have fuelled anti-immi*grant fears in recent statements that Europe faces a right-wing backlash if it does not stem immigration.

The Home Office says the number of refugees seeking asylum has risen sharply from 30,000 in 1990, to nearly 50,000 by the end of this year. An *estimated 500,000 refugees* applied across all member states of the European Community last year.

The government is con*cerned by a large number of* multiple asylum requests from the same person, and wants to introduce fingerprinting to reduce the potential for fraud.

The Home Office also hopes to reduce processing time for new applications to a matter of a few weeks through the fast-track proposals, and current plans to increase staffing. The bill is also expected to limit refugees' access to council housing while they wait for a decision.

The Asylum Rights Campaign, a consortium of refugee and community groups, reacted angrily to news of the proposals yesterday.

It warned that fast track processing could discriminate against torture victims, who *are often unwilling to talk* about their experiences for many months, especially officials.

Ms Jan Shaw, refugee officer *for Amnesty International,* said: "Most refugees are people with good careers who escape to the UK to face years of unemployment. It is intensely insulting to say they are coming for economic reasons."

Andrew Jack

Maastricht and the economy set the political tone

IT is a programme designed *to exorcise past demons* and to provide a glimpse of a brighter Conservative future. But the political debate in the approach to the general election will be shaped as much by developments outside parliament as by any new laws. The economy and Europe *will set* the tone.

Sinking the poll tax, the flagship of the manifesto on which Mrs Margaret Thatcher won *the 1987 election, is* the first legislative priority of her successor. The bill to introduce the new council tax will dominate parliamentary business.

Mr John Major's second aim is to persuade the voters that the measures in the Queen's Speech to implement his Citizens' Charter hold the promise of a better future rather than the threat of a dismantled welfare state. One of the few new *phrases in the standard fare of* yesterday's address was a commitment that: "My government will attach the highest priority to improving public services".

There were no surprises in the relatively short list of measures with which the Conservatives plan to occupy the House of Commons for, at *most, another 8 months. There* are 12 bills but only half-a-dozen have substance.

The programme is flexible enough for parts to be jetti*soned if - against present* expectations in Downing Street - the opinion polls persuade Mr Major to dash to the electorate in the early spring. Under the *government's plans to "guillo*tine debate" the council tax bill - the only vital ingredient - should be law by March.

But there is enough also to *allow ministers to look rela*tively busy if the general election is put back until May or June. The asylum bill and the legislation to introduce an *offence of prison mutiny have* a distinctive Tory appeal.

There is plenty of scope for *sound and fury. The assump*tion at Westminster is that Mrs Thatcher will be spared the embarrassment of supporting Mr Michael Heseltine's replace*ment for the poll tax by oppor*tune offers of lengthy overseas lecture tours.

But Labour says that it sees the bill's passage as a platform *to remind the voters that what*ever the government says it will do they can expect another poll tax bill next April. If such clashes provide the focus for the political battle *the atmo*sphere will be influenced crucially by events outside West*minster.*

The economy - and its impact on the opinion polls - will condition the mood. Few doubt now that a recovery is *underway - and Mr Norman* Lamont will underline that in his detailed autumn statement forecasts next week. What neither side can judge is how *strong and how rapid that* recovery will be.

Senior ministers are resigned to the loss of at least one and probably both of the *seats the party is defending in* next week's by-elections. For the next two months at least *they anticipate that Labour* will maintain a lead of anything between 2 and 4 points in the opinion polls. They are relying on a visible turnaround *in economy in the first few* months of next year to bring the voters back into the fold.

They recognise the hazards. If the polls are worse than *expected, Tory MPs will be* gripped by the pessimism that leads to mistakes and rebellions. There is already much talk from party managers of *the need for steady nerves.*

Those nerves will be needed too on Europe. Mr Major made *it clear yesterday that he* believes he needs to secure a deal at the Maastricht summit - or at least to ensure that he is not singled out as the villain in *any breakdown. He has* invested greatly in his policy of returning Britain to the centre of Europe. As much as the repeal of the poll tax that *defines his break with his pre*decessor. The Commons debate in three weeks time is designed to condition the mood among his own supporters for the *compromises he will need to* make.

For Labour, the strategy will *be to keep on the offensive on* every front - the health service, the economy, the council tax, Tory divisions over Europe: and anything else it can think *off. As long as they are ahead* in the polls it seems to work. But Mr Neil Kinnock can take nothing for granted. Only two months ago Mr Major's expo*sure on the international stage* brought a dramatic turnaround in the opinion polls. It could happen again if he gets a deal at Maastricht.

Philip Stephens

Parliamentary splendour: the royal procession pictured leaving the House of Lords after the Queen's Speech, which is written for the monarch by the government

Higher education gets a facelift

THE bill to reform further and higher education in England and Wales was described in *yesterday's speech as a mea*sure "to improve quality and choice". Sceptics, however, see it see it as part cosmetic surgery and part yet further fruit *of the government's antipathy* to local government.

The surgery applies to the status of the polytechnics. Under the bill, polytechnics will be able to call themselves universities (adding another 33 to the existing 41 if they all do so).

The existing funding councils for the universities and polytechnics will be dissolved, to be replaced by Higher Edu*cation Funding Councils for* England and Wales. The councils will distribute state grants to support teaching and discre*tionary research.*

Polytechnics will, accordingly, be able to apply for state research funding for the first time – and although it is *expected that they will con*tinue to be primarily teaching institutions, greater competition for research funding is feared by many of the lesser universities.

Ministers hail the reform as constructing a single, unified higher education structure. In practice, however, formal or informal divisions between universities will rapidly gain currency, akin to America's "ivy league". They are unlikely to correspond to the current divide between polytechnics and universities line.

The bill will also remove the 600 further education, sixth form and tertiary colleges from local authority control. Colleges will become self-governing trusts, responsible for their own planning, budgeting and academic policy.

They will not, however, be independent, since about four-fifths of their funding will continue to come from the state. Instead of local councils, colleges will be reliant on central government, which will distribute grants through Further Education Funding Councils.

Andrew Adonis

Hostilities begin on council tax

FORMAL hostilities over the handling of the council tax legislation began after the *Queen's Speech as Labour* rejected with outrage a detailed plan by the government on timing of the discussions on the bill.

Even before publication of the legislation itself today first contact between the two parties to discuss the parliamentary consideration of the measure resulted in a row which leaves the government ready to press ahead with its decision to impose a guillotine to speed through Commons discussion of the plans.

The bill will replace the poll tax with a charge broadly *based on eight bands of prop*erty values, and is the single most controversial measure in the legislative programme.

*Labour believes that the gov*ernment will impose the timetable immediately after MPs first debate the bill, in about ten days' time.

Ministers are "considering fully" Labour's request that the first debate on the bill should be extended from the normal one day to two days, but there is little overall flexibility in their plans to get the bill out of the Commons by mid-December. If the government is to stand any chance of meeting its target of completing of the bill by March, the legislation has to be ready for *House of Lords discussions* when parliament resumes after the Christmas break.

"It looks as if we are to have a complete re-run of the poll tax fiasco with a cobbled-together mess rushed through without proper scrutiny," Mr David Blunkett, the opposition local government spokesman, said.

In total, Labour estimate the the government's proposals *would allow only around 100* hours for the bill's consideration by MPs – about half the amount of time taken by the poll tax bill in the House of Commons.

Alison Smith

Chancellor claims UK is on the road to recovery

By Peter Norman, Economics Correspondent

MR NORMAN Lamont, the chancellor of the exchequer, last night declared that the UK economy was "on the road to recovery" and that the recent rise in business confidence was fully justified.

The chancellor said the *revival of confidence* reflected falling inflation, improved cost control by British businesses, the prospect of increased profitability and a rising UK share of world trade. He predicted that the recovery would be non-inflationary, and therefore *sustained, and that it would* provide the "ideal conditions for investment, enterprise and jobs".

Mr Lamont's upbeat assess*ment* on the UK's economic prospects will be fleshed out next Wednesday when he is due to deliver his Autumn Statement on the economy. Last night his commitment to beating inflation was strongly supported by Mr Robin Leigh-Pemberton, the governor of the Bank of England, who called *on families and businesses in* Britain to "build up a constituency for stability" of prices and policies.

The chancellor's "Mansion *House" speech is traditionally* one of the great events in the City calendar and the occasion for the chancellor to expound on monetary policy. But last night, Mr Lamont, who was delivering the speech for the first time, chose to discuss a wide range of issues, ranging from the forthcoming British Telecom share issue to the collapse of Soviet communism.

Lamont: confident forecast

The chancellor called on the City to help the Soviet Union develop an efficient banking system by providing training and seconding staff as well as providing places for Soviet per*sonnel in businesses in London* so that they could learn about a modern financial services industry. He *made* his plea after meeting President Nursultan Nazarbaev of Kazakhstan *yesterday morning.*

He also commented for the first time on the draft Emu treaty, unveiled earlier this week by the Dutch presidency of the European Community.

He said the new Dutch text "goes a long way towards meeting our concerns. But there is still much work to be done."

In his speech, he also disclosed that the government *wanted improved co-ordination* between bank supervisors following the closure of Bank of Credit and Commerce International.

He urged action where bank subsidiaries and associates are located in offshore centres where transactions are "invisible" to supervisors in the main financial centres and suggested that countries where banks are incorporated should bear the cost of deposit protection.

Otherwise his speech con*tained little for the City.* In particular, he left unchanged the government's full funding rule, by which it sets out to finance the budget deficit *through the sale of gilt-edged* securities.

Editorial Comment, Page 22

Treasury to launch Ecu note

By Rachel Johnson

MR NORMAN Lamont yesterday took steps to *enhance the City's European* credentials by announcing the launch of a new programme of government-backed three-year Treasury notes denominated in Ecu.

"The future role of the ecu amongst the major world currencies will be of great significance to the City, which has already established a clear lead in the Ecu market. We wish to build on that," he said.

The chancellor of the exchequer, however, did not go as far as the City had speculated by announcing the launch of an Ecu gilt – which could have helped towards the financing of the public sector borrowing requirement (PSBR), estimated to be around £12bn in 1991-92 and approaching £20bn in the following year.

Funds raised by the note programme, which will start in 1992 after negotiations on European monetary union have finished, will enter foreign exchange reserves. It will thus function as an extension of the Treasury bill programme. There have been regular monthly tenders of bills since October 1988.

Lex, Page 24

BT 'could cut charges by £1bn a year'

By Hugo Dixon

BT, the telecommunications group, could cut its telephone charges by about £1bn a year and still earn an average level of profits, according to a Finan*cial Times* investigation.

The investigation, conducted with the help of stockbrokers Robert Fleming Securities, compared BT's profitability with that of other telecommunications companies around the world, with the rest of Brit*ish industry and with its own* profitability at the time of privatisation in 1984.

BT's profitability was found to be considerably above average on all *yardsticks* used and to have increased over time. The scope for price cuts - to bring profitability down to an average level - ranged from £616m to £1,464m depending on the yardstick used.

If a £1bn price cut was all given to residential telephone users by lowering line rental charges, the annual cost of a line before tax would drop from £73.84 to £22.41. If, instead, call charges were cut, the cost of every minute spent using the telephone would fall by 16 per cent.

The profitability comparisons are published on the day BT reports its financial results *for the three months to the end* of September. These results are the last before the government sells a second £5bn tranche of its BT shares next month.

BT said yesterday: "We cannot possibly comment on this until we see it and get a chance to analyse it." But it added that its prices were among the lowest in the world.

The profitability comparisons will put pressure on Oftel, which is responsible for regulating BT's prices, to explain why profits have been allowed to reach such a level and what it proposes to do. Yesterday, Sir Bryan Carsberg, Oftel's director general, said he had *no comment to make.*

Mr Gordon Brown, Labour's trade and industry spokesman, said: "I repeat my call for a *review of BT including its prof*its and finance before further privatisation." Mr Alex Carlile, the *Liberal* Democrats' trade spokesman, said: "It provides fuel for those who believe that BT's virtual monopoly should be broken up."

- *BT profits will cross the* £100 barrier this morning when the company publishes its results for the three months to the end of September, assuming it earns the forecast £800m-plus before tax. Hugo Dixon subjects the profits to some *searching comparisons.* Page 23

Ford workers reject two-year pay deal

By Diane Summers, Labour Staff

FORD, the UK's biggest volume carmaker, yesterday offered its 29,000 manual workers a two-year pay deal made up of a 4 per cent increase in the first year and an inflation-matching rise in the second.

The offer was in response to union demands for a rise of at *least 7 per cent,* a cut in working hours, the introduction of a job security scheme and improvements in pension benefits.

Yesterday's management proposals, which were rejected by unions, come against a background of gloomy forecasts for the company in the British market.

A management memo to union negotiators yesterday summarised these forecasts as: "Poor financial results, reduced volumes and market share, and the threat from *increasing Japanese capacity.*"

At the first round of the talks two weeks ago, Ford management warned that losses this year might be "far *worse" than the £274m* reported last year when the company turned in its first pre-tax deficit for 20 years.

Both unions and management indicated that the deal could be concluded at the next meeting between the two sides on November 14.

Mr John Hougham, Ford UK personnel director, said that the offer was a "serious *response*" to the unions' claim. He indicated that there would be little movement by the company on the offer at subsequent talks.

Union claims on hours and job security were rejected by the company, although some concessions were agreed on improvements in pensions.

- Mr Eric Hammond, general secretary of the EETPU electricians' union, described the government's discussion document on trade union reform as a "green paper too far".

In its response, *published* yesterday, to the document, his union made no objection to legally enforceable collective agreements; was critical of the proposal for unions to give seven days' notice of a strike.

Toyota adopts AEU, Page 24

FT LAW REPORTS

Bingham inquiry can see confidential BCCI documents

PRICE WATERHOUSE v BCCI HOLDINGS (LUXEMBOURG) SA AND OTHERS
Chancery Division
Mr Justice Millett: October 18 1991; October 21 1991

REPORTS made by accountants for the purpose of an investigation into their client's problem loans, and sent by them direct to the client's solicitors, are not protected by legal professional privilege, in that they are not part of any client/solicitor communication and were not made for the dominant purpose of litigation.

CONFIDENTIAL banking information may be produced to a non-statutory inquiry into the supervision of a bank, in that the public interest in confidentiality gives way to the public interest in disclosure when necessary for the purposes of inquiry into past performance of the Bank of England's statutory functions.

Mr Justice Millett so held when declaring (1) that the plaintiff accountants, Price Waterhouse, were not precluded by legal professional privilege from complying with notices served on them by the Bank of England and the Serious Fraud Office requiring production of documents prepared for the purposes of a committee investigating problem loans made by companies in the BCCI group; and (2) that they were not precluded by confidentiality or legal professional privilege from supplying documents to a non-statutory inquiry into the supervision of BCCI.

The defendants were BCCI Holdings (Luxembourg) SA, Bank of Credit and Commerce International SA, and other associated companies. The Bank of England, the Serious Fraud Office and the Treasury were joined as defendants.

October 21 1991

HIS LORDSHIP said that from October 1990 partners of Price Waterhouse were members of an investigation committee established by the Abu Dhabi government and later reconstituted as an internal BCCI committee, to investigate problem loans made by companies in the BCCI group.

The present application was prompted by service on Price Waterhouse of notices requiring production of specified documents, issued by the Serious Fraud Office under Section 2 of the Criminal Justice Act 1987, and by the Bank of England under Section 39 of the Banking Act 1987.

Price Waterhouse found itself in a dilemma. It wished to comply with the notices but not to breach duties of privilege or confidentiality owed to its former clients.

First, it sought a declaration that it was not precluded by legal professional privilege from complying with SFO or Bank of England notices in respect of documents which came into existence for the purposes of the investigating committee.

Legal professional privilege attached to all communications made in confidence between a client and legal adviser for the purpose of giving or obtaining legal advice. Litigation did not have to be in contemplation. It did not matter if communication was made through an agent.

BCCI claimed that documents brought into existence after the investigating committee became a BCCI internal committee, attracted legal professional privilege under that head. It said the committee's function was to report to BCCI's legal advisers to enable them to give legal advice to BCCI, and that Price Waterhouse was the means of communication between BCCI and the legal adviser.

The claim was untenable.

Price Waterhouse was charged with the duty of bringing material into existence. In so far as it reported to the legal advisers (if it did), it was not passing on a communication from BCCI; it was producing material for BCCI and, at BCCI's direction, forwarding it to the legal advisers direct.

A different privilege attached to documents brought into existence for the purpose of litigation. Where it was one of several purposes, legal professional privilege attached only if it was the dominant purpose.

The dominant purpose of the investigation was to determine the extent to which the problem loans were recoverable. That was quite independent of the possible need to take recovery proceedings.

Accordingly the documents did not attract legal professional privilege.

The first declaration was granted.

Second, Price Waterhouse sought a declaration that an otherwise proper claim to legal professional privilege did not of itself constitute reasonable excuse for non-compliance with the notices.

Section 39(3) of the Banking Act provided that the Bank of England might require production of such documents as it might reasonably require for performance of its functions under the act. Subsection (13) provided that nothing in the section compelled production by a solicitor of a document containing a privileged communication.

The question was whether, on the true construction of Section 39 as a whole, a person might be compelled to produce privileged documents.

He might. Although Section 39 merely authorised the bank to serve a notice requiring documents to be produced, a corresponding obligation to comply was necessarily implied. Except to the extent that they were excluded by subsection (13), privileged documents must be produced.

In view of the answer on the first declaration it was unnecessary to grant the second declaration.

Monday October 21 1991

HIS LORDSHIP said that the third declaration sought by Price Waterhouse was that it was not precluded by confidentiality or legal professional privilege from supplying documents to an inquiry into the supervision of BCCI.

The inquiry, conducted by Lord Justice Bingham, had been set up at the end of July 1991 by the Treasury and the Bank of England.

It was non-statutory. It had no power to enforce attendance of witnesses or to compel production of documents. Its proceedings would take place in private. The results would be made public.

The secretary of the inquiry had requested Price Waterhouse to submit evidence, with copies of all supporting documents.

Price Waterhouse was anxious to comply. It considered it had a public duty to co-operate with the inquiry, which had been set up to serve an important public interest. It was constrained by the fact that all BCCI documents in its possession, whether privileged or not, were confidential.

As the inquiry was non-statutory, it must rely on voluntary co-operation by witnesses.

It was well-settled that where one party had information in respect of which he owed a duty of confidentiality, he was not ordinarily at liberty to divulge it without consent.

It was also well-established that although there was a strong public interest in maintaining confidentiality, that might be outweighed by some countervailing public interest in disclosure.

The Bank of England's power under Section 39 of the 1987 act to obtain information and require production of documents overrode legal professional privilege and banking confidentiality.

In the particular circumstances of the case the public interest in favour of disclosure ought to prevail.

The considerations which had weighed with the court were, *inter alia*, that there was an important public interest in the effective regulation and supervision of authorised banking institutions; by Section 39 parliament had chosen to accord greater weight to that public interest than to the maintenance of confidentiality, including banking confidentiality, and even legal professional privilege; if it was in the public interest to require confidential information to be disclosed to the Bank of England to enable it to perform its supervisory functions under the act, there was at least as great a public interest in disclosure of such information to an inquiry set up to review the Bank's past performance of its statutory functions, provided dissemination of that information was no wider in the latter case than would be authorised in the former

A declaration was granted, limited to material relevant to the terms of reference of the inquiry. Price Waterhouse was required to maintain the confidentiality of underlying banking transactions, and material covered by legal professional privilege, except to the extent that disclosure was specifically requested by the inquiry.

For Price Waterhouse: David Oliver QC and Paul Girolami (Herbert Smith)

For BCCI and associated companies: Richard M Sheldon and Susan Prevezer (Lovell White Durrant)

For the Bank of England: Nicholas Stadlen QC (Freshfields)

For the Treasury and the Bank, re the Bingham inquiry: A W Charles and Philip Havers (Treasury solicitor)

For SFO: Richard Drabble and Christopher Katkowski

Rachel Davies
Barrister

MANAGEMENT

Selling hamburgers to Americans

Martin Dickson reports on the lessons learned by the head of GrandMet's operations in the US

How does a European company succeed with North American acquisitions? Ian Martin should have a pretty good idea, since for the past five years this deceptively soft-spoken Scotsman has been one of the most visible British businessmen in the US.

As head of Grand Metropolitan's American operations, he led the group's $5.7bn (£3.3bn) takeover in 1989 of the ailing Pillsbury foods group and the subsequent turnround of businesses ranging from the Burger King fast-food chain to Green Giant canned corn.

At the end of this year, he will return to London to become GrandMet's chief operating officer and, it is widely assumed, heir apparent to Sir Allen Sheppard, the chairman.

So what lessons does his US tour offer? The main one seems to be that for all America's reputation for red-clawed capitalism and workaholic temperament, the country is quite as susceptible to inefficiency as anywhere else, and so still offers good acquisition opportunities to foreign companies which can identify undervalued targets and apply to them some simple, universal management techniques.

"Pillsbury," says Martin, "was very typical of a mid-Western corporation which has had a very long and comfortable history and then suddenly finds the cold winds are blowing out of the north. I think there are quite a few American companies like that." But it is vital, he adds, that the potential purchaser carries out an accurate pre-takeover diagnosis of the target's strengths and weaknesses.

GrandMet, for example, correctly judged that Pillsbury's headquarters staff had been allowed to get top heavy, that insufficient money was being ploughed into advertising the group's excellent brand names, and that too little attention was being given to new product development, particularly in the burgeoning area of foods appealing to the health-conscious.

America, says Martin, echoing a common complaint of expatriates, is surprisingly bureaucratic: "You have this vision of a great free enterprise society but I think the civil service bureaucracy is pretty damn close to France – and some of that creeps over into business."

Do middle-ranking American managers lack initiative, as other European companies sometimes claim? Martin prefers not to generalise, but says that at Pillsbury he certainly found quite a lot of a "go-along, get-along attitude; don't put your head above the parapet. And that's diametrically opposed to the GrandMet culture, which takes the view that sins of commission are far more preferable to sins of omission."

On the other hand, he says, one of the big pluses of managing in the US is its "can-do attitude" and the belief that anyone can get to the top. "American employees respond well to decisive leadership. They want their objectives clearly spelled out and they want to be told to get on with it . . . there's not so much deliberation about issues, there's more 'let's get going!'"

This culture was very well suited to the Martin philosophy on how to turn an ailing company around. One of the keys, he says, is to get clear in your own mind a shortlist of precise goals and make sure everyone understands them.

"It's not enough to be for God and against sin. You have to propose specifically what people have to do to better the situation."

In the case of Burger King, for example, four targets were set and then met: improving the quality of outlets; moving the customer mix more up-market; broadening the product range (such as a successful new chicken sandwich); and getting the products priced right.

It is also vital, he says, that these goals stretch people "so they don't have time to think about dangling over the cliff edge as they rope their way across". Martin correctly judged before the takeover that the quality of Pillsbury's brand names meant the group employed some excellent middle managers and that its real problem was one of leadership.

But he still had to "empower these folks and get them into the adrenalin of decision-making". This was done partly by selective changes in the top management, although GrandMet tried to draw on people from within with a good track record and keep expatriate executives to a minimum.

It was also achieved by example: for instance, eight days after the takeover, Martin ruled that an environmentally suspect chemical used in Green Giant freezers would be phased out – a move Pillsbury had agonised over for years.

"At first nobody would believe it. Nobody would believe a decision had finally been taken." More rigorous standards were also applied to financial incentives. Martin says one of his biggest problems was getting across to Pillsbury's managers that annual bonuses were not a right, but had to be earned.

What lessons from America will he be taking back to Britain?

One, he says, is how to deal with questions of race and gender, where the US seems further down the road than Europe.

Another is community volunteer work and charitable giving, where many American companies are well ahead of European counterparts. GrandMet happens to have a large and well-established programme of community involvement in the UK, but Martin says this has been reinforced by its US experience.

Ian Martin: "It's not enough to be for God and against sin"

A third lesson is the value of "corporate celebration". American managers, and employees, he says, "need to celebrate things more frequently and more overtly than European groups – whether its an executive's birthday or Secretary's Day" (when American bosses traditionally give their secretaries a present). In the US, he says, a cerebral, understated British manager could find himself misunderstood and would have to become more demonstrative.

But any GrandMet employees hoping that the cerebral, understated Martin will appear in the London headquarters turning cartwheels should not hold their breath.

No more than a whisker away from success

Charles Batchelor explains why a clean cut image can help an aspiring executive up the corporate ladder

If you want to get ahead in business get a shave. Men with beards have greater difficulty climbing the corporate ladder than their clean-shaven counterparts, according to CMB Image Consultants, which advises politicians and top executives on making a good impression.

Beards are often taken as a sign that the wearer has something to hide or has anarchistic tendencies which would not fit in to the corporate hierarchy. In the public sector, by contrast, beards are not a barrier and may even be seen as a sign of seriousness and commitment.

Women, too, may encounter subconscious discrimination based on their appearance. Women who wear make-up – but not to excess – are promoted more rapidly than those who allow nature to speak for itself, says Mary Spillane, director of CMB. For all the raft of legislation to stamp out discrimination in the fields of race, sex and disability, even subtler undercurrents may affect your career prospects.

Exceptions to the rule (left to right): Richard Branson, Alan Sugar, Owen Oyston, Sir Graham Day, Lord Hollick and Peter Bonfield

In today's competitive markets, business people who want to get on, impress a customer or clinch a sale must re-assess their image, according to Robert Half, a large financial recruitment agency. Job applicants must look the part if they want to be successful, says Jeff Grout, UK managing director.

Grout bases this advice on research which shows that 55 per cent of the impact we make on people is based on appearance – the way we dress, act and walk through the door. A further 38 per cent reflects the quality of our voice, our accent, use of grammar and overall confidence. Just 7 per cent is attributed to what we actually say.

However much people like to think they are being judged on their true qualities these take time to show though and it is apparently trivial aspects of their appearance which really count.

"Your dress, hairstyle and even your briefcase will say more about your professionalism, talent and dynamism in those all-important first few minutes than anything else," says Grout. "If you make a good first impression, the interviewer will tend to filter out any negative qualities which subsequently emerge and remember only those points which reflect well on you. If you make a bad initial impression the reverse will apply."

But what about men with beards who have made it to the top of the business ladder such as Richard Branson, chairman of the Virgin entertainment group, Alan Sugar, founder of Amstrad, the consumer electronics company and Owen Oyston, the Lancashire entrepreneur who until recently headed Trans World Communications, owner of several independent radio stations? Are they not proof that a beard need not prove an obstacle to advancement?

Unfortunately not. What they have in common is that they are self-made businessmen who built their own companies and did not have to submit to anyone else's selection criteria. Men like Sir Graham Day, Canadian-born chairman of British Aerospace and Clive (Lord) Hollick, managing director of MAI, the financial group, are examples of that rarer breed who appear to have survived the corporate selection process on other qualities.

Peter Bonfield, chairman of ICL, heads a sizeable company but he may have been helped by the more buccaneering image of the computer industry which, in its early years at least, was prepared to accept a more idiosyncratic style. In banking, by contrast, orthodoxy is *de rigueur* and facial hair is actively discouraged.

Day, Hollick and Bonfield may owe some of their success to taking care with other aspects of their appearance. Uniformly dapper, they all clearly pay attention to how they dress.

In Britain, where businessmen buy, on average just half a suit a year, the well-dressed executive has a head start. In the US, where businessmen buy five suits a year, Germany, where they acquire two and France where they buy one and a half, they might not stand out quite so much.

"Many people treat this subject light-heartedly but the way you look is a serious matter," says Grout.

BUSINESSES FOR SALE

The Business Section also appears on pages 4 & 13 today

TECHNOLOGY

Andrew Baxter looks at the technology transfer between appliances from Whirlpool and Philips

It will all come out in the wash

Around 7,700 times a day, workers at Whirlpool's dishwasher and manufacturing plant in Findlay, Ohio, fold a cardboard box into shape and wrap a finished appliance before despatching it to a warehouse and onwards to retailers across the US.

Soon, the products will be shrink-wrapped through a process developed at the Whirlpool International dishwasher plant in Neunkirchen, Germany. Apart from being cheaper, the see-through wrapping will show up any damage to the appliance during transit, and thus make a small contribution to overall product quality.

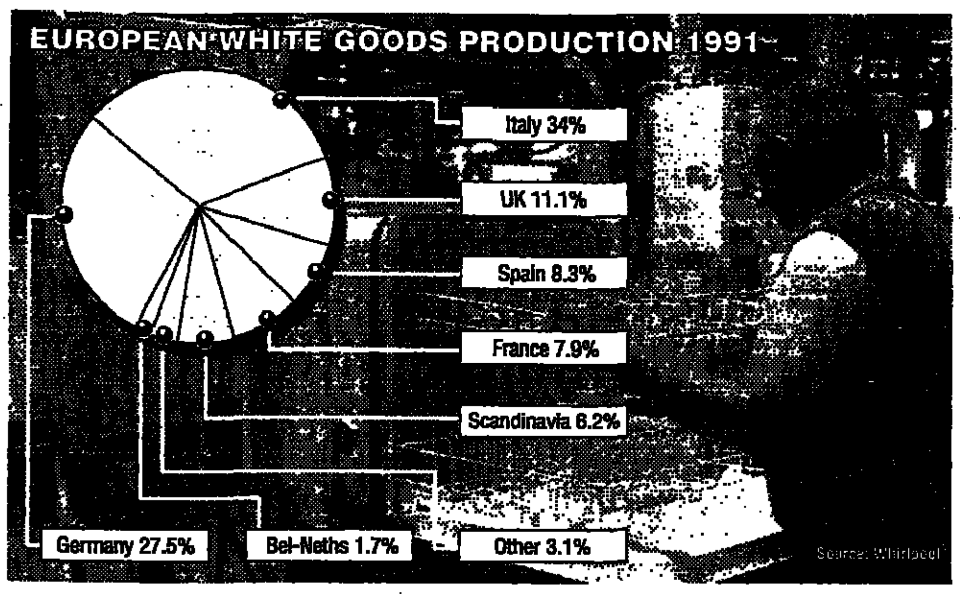
The change is a humdrum example of the technology transfer which executives of Whirlpool, the world's largest white goods producer, will increasingly be looking for, over the next few years from the two-stage $1.1bn (£630m) acquisition of the Philips appliances business, completed in July. The process, still in its early phases, is intended to be two-way – "what we hope to do is steal shamelessly from each other," says Dennis Krueger, vice-president of the Findlay division and plant manager.

It is a crucial element in the planned global integration of the two companies, which also includes industrial aspects such as common sourcing of parts, and marketing – swapping product features that have hitherto been a preserve of the US or European market.

The main strategic reason for Whirlpool's acquisition of the Dutch business was to give it a significant pan-European presence ahead of the European single market reforms, where growth prospects are higher than in the US. Five years ago, Whirlpool was for the most part a domestic producer, little known in Europe.

But David Whitwam, chairman and chief executive, says the integration strategy is essential if the takeover is to help the Michigan-based company turn itself into a global competitor. "Being number one means nothing if we don't use our strength," he says.

This implies pooling the expertise of two companies which had been totally self-sufficient technologically, and creating what current manufacturing jargon calls a "world class company" from a discrete collection of local skills. This, inevitably, is a a slow process which requires the building of trust and breaking down of barriers.



Broadly, the technology swap will involve the "export" from the US of low-cost manufacturing and product design techniques learnt over the past decade in a domestic market where the only way to grow has been to take market share from competitors. In the other direction, the flow will centre on the greater expertise of Philips in electronics, a legacy of the former strong links with Philips' laboratories.

Market conditions in the US have necessitated an approach to white goods manufacture that has increasingly emphasised innovation in process technology to reduce costs but also, says Ronald Kerber, executive vice-president and chief technology officer, a continuous effort to design costs out of the product itself.

"We say, lets get X dollars out of the product, then we try to do the same the next year," he says. This approach has, perhaps, been less necessary in a Europe of separate national markets, but is now more relevant in a pan-European context.

Consequently, Whirlpool executives believe their newly-acquired European plants could learn a few lessons from the techniques being introduced at Findlay. A $110m investment in a new dishwasher manufacturing area is producing a new range with 16 per cent fewer parts than its forbears.

This, says Kerber, stems from a more intensive effort on design for automation – which leads to greater consistency and, hence, quality.

'What we hope to do is steal shamelessly from each other'

For example, the latest plastic "tubs" – which form the interior skins of most US dishwashers – are designed with fittings that reduce the number of fasteners required by 40 per cent compared with older models.

As for the manufacturing itself, the new section of the Findlay plant has adopted a cellular approach, grouping the three primary functions – the tub and major parts, the pump and motor, and the door – into cells. This type of manufacturing normally uses similar technology as traditional production lines but tends to increase productivity and product quality.

Neunkirchen, says Ruggero Bodo, vice-president for planning at Whirlpool International, has been looking for ways to increase capacity, and cell manufacturing "would be one way of doing it."

The US, in return, may be able to import some of the manufacturing flexibility that has been necessary in Europe because of smaller production batches and wide national differences in specification and fashion.

On a recent visit to a Philips refrigerator plant in Barcelona, William Marohn, executive vice-president of Whirlpool's North American Appliance Group, was impressed by the speed of turnover times from one product to another. Whirlpool, he says, needs to find a way to serve small, niche markets in the US with short-run production batches. Kerber, though, cautions that flexibility is a "strategy that has to be costed". That, it seems, has not always been the case in Europe.

As for electronics in appliances, Philips' relatively advanced position reflects not only the R&D expertise of its former parent, but also increased market acceptance of technology in Europe, which in this respect lies somewhere between the US and Japan, where electronic gadgetry has elevated technology to an end in itself. A case in point is "fuzzy logic," one of the current vogue phrases in the domestic appliance industry, which comprises a series of sensors to check the progress of a machine's operation and make adjustments. A lot of fuzzy logic is glitz, says Kerber, but he is interested in the parts that are functional.

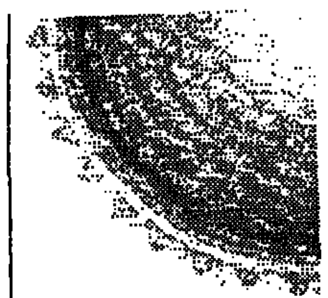
In particular, fuzzy logic has an environmental relevance. As in other sectors of engineering, electronic control is often the key to reduced noise and energy consumption – areas where Germany has hitherto been ahead of the US. Some of the noise-reduction technology developed by Bauknecht, the up-market European brand, could also be incorporated into the US KitchenAid range.

Another area being investigated for technology transfer is hand-held computers for repairmen. Here the UK has been in the lead, and Whirlpool is looking at developing the concept further, through transatlantic co-operation, so that circuit diagrams can be beamed through from customer service centres to repairmen out on the road.

One technology transfer hurdle yet to be surmounted involves integrating the Whirlpool and Philips computer-aided design systems, allowing designs to be swapped electronically. Integration is technically possible, says Kerber, and is likely to be a priority because of its relevance both to low-cost manufacturing and to accelerating the trend towards common design and manufacturing, at least of the internal parts of appliances.

There is a lot more to be done, Whirlpool concedes, on introducing common parts in its US and European appliances. But the process ought to be less time-consuming or risky than exporting entire products from one side of the Atlantic to another.

That will depend on rather less tangible influences than technology transfer – widely differing customer preferences. Whoever heard of plastic tubs in dishwashers, for example, on this side of the pond?



WORTH WATCHING

by Della Bradshaw

The computer breaks into song

THERE are few things more irritating than a colleague who repeatedly hums a tune which has a nagging familiarity, but the title of which you cannot remember. Japanese electronics manufacturer NEC may now have the answer.

It has developed a personal computer-based melody retrieval system. When a tune is hummed or played into a microphone the PC matches the ditty to tunes stored on a database. NEC says the software can even recall tunes sung in the wrong key or beat.

To do this it uses a system developed by NEC scientists known as the "ambiguous recognition method". This analyses the hummed tune for note structure and then matches this with melodies on the database which display the similar characteristics.

NEC believes the system will be on the shelves in two years, incorporated in products for the home electronics and education markets.

Fixing 'errors' of Alzheimer's

DOCTORS at St Mary's Hospital Medical School, in London, have discovered a "mistake" in the 717th "word" of the human gene which could help pharmaceutical companies develop drugs to cure Alzheimer's disease, a form of senile dementia.

The discovery, reported in this week's Nature magazine, brings to three the number of mistakes known to cause the early onset of the disease, which affects between 500,000 and 750,000 people in the UK and 4m in the US. All three mutations lead to an increased deposition of the amyloid protein in the brain, although the mechanism by which this occurs is still unclear.

Now that the protein has been identified as central to the disease process, it will become a clear target for drug treatment. A handful of drug companies have already started searching for ways to prevent excess production of amyloid.

Fax messages from payphones

BUSINESS people travelling through UK airports or using conference or exhibition centres may soon find they can use payphones to send facsimile messages and do the photocopying as well as using them for ordinary phone calls.

London-based UK Telecom has developed a credit-card operated phone which does just that. The company intends to install the machines in public business centres where the site owners will get a percentage of the profits from the machines. The rates charged for using the fax, phone or copier can be changed from site to site.

A further advantage for the site owner is that the fluorescent dot matrix message display, which can guide the user through the operation of the machines in several languages, can be used to give information on the site – a special duty-free airport offer, say – when the machine is not in use.

Data prices go on display

FINANCIAL institutions that want to find out prices information from different countries often have to switch screens to be able to get the the data they need.

To do away with this need, Quick Europe, the London-based division of the Quick financial information company, of Tokyo, has developed the Data Board, which displays information from several sources simultaneously. The board, which can be fitted to a wall or be left free-standing, can be as large as the organisation requires in order to enable all the people on the dealing floor to see the information, which is displayed in three colours.

Developed in the UK, plans are also afoot to sell the board in Europe.

Autumn leaves run off the rails

FOR commuters on British Rail's Network Southeast those irksome delays blamed on autumn leaves falling on the track could soon be a thing of the past, writes Michael Terry.

Leaves on the rail surface are squashed to form a thick mush which reduces the grip between wheels and rails.

Network Southeast has imported leaf-clearing equipment which has already been successfully used by Swedish Railways.

Made by Mahler & Sons of Rosson, Sweden, the 16 rotating steel wire brushes with rubber scrapers are mounted on hydraulic, telescopic arms, driven by a Volvo Penta TD 121 turbo-charged diesel engine and slung under an existing BR wagon. The wagon is pulled by an ordinary locomotive. The machine is capable of clearing up to 50km of rail per hour. If this autumn's tests prove successful, the equipment will become a permanent feature of Network South East's operations.

Lifting the lid on the latest loos

SINCE Thomas Crapper invented the flushing lavatory back in the last century there have been few real alterations in its basic design.

Now a west London design company, in conjunction with the British Technology Group (BTG), has patented a flushing system which could replace the traditional plunger and piston. The only moving element in the Somerfield Design model is the water.

When the flush button in the one-piece plastic system is pressed, air is pushed into the syphon. This displaces an air lock which acts like a cork in the pipe. This air in turn pushes water into the lavatory to flush it.

As well as being less prone to breakage and needing little pressure to operate – particularly important for old people – the designers say that the cistern can be made in a variety of shapes and sizes. It could even be manufactured just 6cm thick, to hang on the bathroom wall.

Contacts: NEC: Japan, 03 3454 1111. St Mary's Hospital: UK, 071 723 1252. UK Telecom: UK, 071 221 9431. Quick Japan: 03 3216 5911. Quick Europe: UK, 071 247 2222. Mahler: Sweden 624 203 58. BTG: UK, 071 403 6666. Somerfield Design: UK, 081 995 5262.

THE PROPERTY MARKET

U-turn that surprised an industry

By Stuart Robinson

With the development industry lying dormant, and the market struggling to recover from the effects of recession, significant changes to the planning system in England and Wales have escaped close scrutiny.

Many in the property industry are unaware of one of the most far-reaching changes introduced by the Planning and Compensation Act which gained royal assent this summer.

In a surprising policy U-turn the government's new planning regime, will be "plan-led" instead of market-led. This means local authorities will dictate the scope, form and extent of development in their areas through a new wave of plans which is sweeping across the country. According to the database of Hillier Parker, the commercial property consultants, 15 new plans are being published on *average* every week in England and Wales.

Only a quarter of the country is currently covered by development plans; the government is putting pressure on local authorities to extend coverage to the entire country by the mid-1990s.

Faced with unprecedented cash difficulties, few developers have the time to spend to influence the formulation of these plans and to protect their aspirations.

So how did this switch from a market-led to a planning-led *approach come about?*

It originated in the late 1980s, when the private sector was being encouraged to go its own way regardless of any bureaucratic hindrances, and the government's environmental credentials were coming under increasing scrutiny. This was fuelled by Tories in the shire heartlands enraged at seeing decisions of their councils being overturned by the Department of the Environment's inspectors on appeal.

Furthermore, the DoE was beginning to realise that it could not handle such a large volume of planning appeals, let alone make decisions speedily.

As a result, following the Conservative party conference in 1988, new policies were put forward as planning guidance, which have now surfaced in a more robust form in the act. This places the development plan at the heart of the planning process: it will dictate how, where and what can be built in any district.

Yet much of this development plan activity is going unnoticed. Local authorities are not obliged in law to notify landowners that they are reviewing the policies; rather, the onus is on private-sector companies to stay informed.

Failure to keep abreast of the changes could be disastrous for landlords. For example, a housing site, until now a pretty safe bet for planning approval, may in future fall within the green belt. The open playing fields which had been designated for a business park may now be securely protected on the new leisure and recreation policies.

The old remedy of hoping for a successful appeal to the environment secretary is unlikely to work this time around.

The secretary of state has said on a number of occasions that the government would support up to date local development plans. Indeed, there has been a marked drop in the success rate of planning appeals since the late 1980s (see illustration on the right). This is particularly acute where developers are pitted against local authorities armed with their latest blueprint.

But perhaps a more crushing blow for the property industry will be that costs can now be awarded against developers deemed to have challenged development plans unnecessarily.

Taken as a whole the act's repercussions could be painful for the next wave of developers, when the market's buoyancy returns. Those in the industry who hope the general election will lead to a change in planning policy should brace themselves: the new "plan-led" approach is supported by all three main political parties.

The author is head of planning at Hillier Parker, commercial property consultants and agents

What the Planning and Compensation Act means for the property market

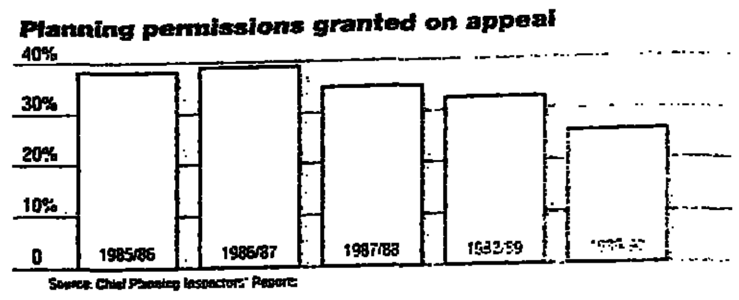
- **A change from the current presumption in favour of development**
- There will now be a stronger presumption in favour of development plan policies in considering planning applications and appeals
- **Government policy on local plans now law**
- The requirement for district-wide local plans puts into legal effect current government policy
- Most local authorities are now at an advanced stage in the preparation of their plans
- **Requirement for planning permission for demolition**
- Previously an area of considerable uncertainty in the law, the new provision for demolition rectifies this
- The General Development Order will set out the precise types of demolition which do not require consent. These will require permission for demolition of houses
- **Greater vigour in enforcement**
- The maximum fine for enforcement is increased tenfold to £20,000 and can be imposed on a continuing basis for as long as the breach occurs
- The higher level of fines and greater powers available will encourage local authorities to be more vigorous in enforcement action
- **Unilateral planning obligations**
- Planning "obligations" may now be entered into unilaterally by a developer and without the agreement of the local authority in order to secure permission which could not otherwise be given.
- This could be a major benefit to breaking the deadlock in appeal cases where a local authority is acting unreasonably in asking for an excessive amount of planning gain.
- Modification of an obligation more straightforward, with an appeal option if agreement cannot be reached.
- **Repeal of compensation provisions addresses various anomalies remaining in the legislation**
- The ability to seek an award of costs when an appeal is withdrawn may deter local authorities from giving a favourable decision under pressure of a forthcoming inquiry unless the applicant gives an undertaking not to pursue costs
- The new Certificate of Lawful Use or Development makes a breach of planning control which has been established lawful, rather than simply immune from enforcement
- In effect, an unauthorised change of use can be made lawful after 10 years by obtaining an appropriate certificate

TOTAL RETURN (%)

	Retail	Office	Industrial
Year to Sep 91	−0.8	−9.9	3.0
Quarter to Sep 9	0.9	−2.4	2.6
Months of Sep 91	0.5	−0.7	1.2

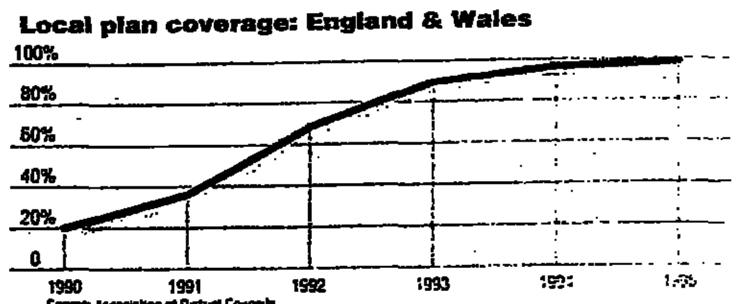
Investment Property Databank

Planning permissions granted on appeal



Source: Chief Planning Inspectors' Reports

Local plan coverage: England & Wales



Source: Association of District Councils

Planning and Compensation Act: the main points

- **Development plans given overriding weight**
  Decisions in planning applications must be made in accordance with development plans unless material considerations indicate otherwise
- **New planning gain provisions**
  Agreements may now be entered into unilaterally by the developer, and may contain provisions allowing planning permission to be obtained without the local authority's agreement
- **Established use**
  Certificates of Lawfulness of Existing Use or Development (CLEUD) introduced to help clarify the lawful planning use of property
- **Enforcement provisions tightened**
  Substantial increases in fines and penalties, increased powers for local authorities. *Injunctions against unauthorised development*
- **Applications**
  A local authority may decline to determine a planning application if a similar application has been refused by the secretary of state in the previous two years

CONTRACTS & TENDERS

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The government's plans for economic recovery and closer links with the EC have been hampered by the vicissitudes of the world's economy. A series of political scandals have added to the gloom and resulted in an assault on the seat of power. **Tim Coone** reports

School for scandal

IT IS difficult to open an Irish newspaper these days, without imagining some prominent politician or executive choking over a bowl of breakfast cereal on seeing his or her name linked, however spuriously, to the latest scandal to have been dug up by the implacable sleuths of the Irish press.

The spate of recent scandals, real or imaginary, comes almost as light relief when set against the backdrop of growing economic difficulties, rising jobless figures, and little prospect of relief upon the horizon.

Although the governed can get some venial satisfaction out of seeing their governors being taken to task in what one cabinet minister condemned as "a feeding frenzy of allegations", there are few Irish people who do not feel a pang of regret over the apparent end of a promise-filled era.

When Mr Charles Haughey was brought back from the opposition benches to the job of Taoiseach (prime minister) in 1987, he came with a plan to revitalise the Irish economy, based on reform of the public sector, a reduction of tax rates, and by putting the public finances in order.

Mr Haughey and his like-minded ministers sought to create an environment favourable to investment, by creating stable economic conditions and negotiating a pact between government, and business and trade union leaders based on the Programme for National Recovery. Redundancies in the public sector, were to be counterbalanced by a job creation plan and an industrial development policy that would integrate Ireland more closely with its European Community partners.

As part of this strategy he invited friends and acquaintances from the private sector, with good track records in their businesses, to sit on the boards of the state enterprises and in some cases take management control of them. Mr Haughey instructed them to get on with turning these companies into profitable concerns, and promised a minimum of political intervention. This they did.

It was the time for initiative and opportunities. The economy grew by 21 per cent between 1986 and 1990. A total of 37,000 jobs were created in the same period. The exchange rate was stabilised against the D-Mark. Ireland's inflation rate was brought below the EC average and a healthy trade surplus emerged as exports grew. The budget deficit was reduced from 21.8 per cent of gross national product to only 2 per cent.

The vicissitudes of the world's economy then began to conspire against Mr Haughey.

The Gulf war and world recession took its toll on the open Irish economy, in which two out of every three pounds of GNP arises as exported goods and services.

During 1991 an additional 35,000 people have rejoined the dole queues. Emigration, the traditional safety-valve for those the economy could not find jobs for, also slowed sharply as job opportunities in the US and Britain dried up.

Arch enemies: Ha'penny Bridge in Dublin where Charles Haughey, prime minister, has been lambasted by Dick Spring, Labour party leader

This year social welfare spending took an unplanned-for leap, and consumer spending dropped which reduced tax revenues. The result has been budget overruns, and a brake slammed on government spending.

The government's commitment to go full-speed ahead with the plans for economic and monetary union in the EC places tight constraints on macroeconomic policy.

Currency stability and control over inflation, are the acid tests to which the finance ministry mandarins subject all demands on the Exchequer even more vigorously than before. Inherent in these aims is a target to reduce the Exchequer Borrowing Requirement to 1.5 per cent of GNP in 1993.

Last month, the two coalition partners in government agreed to overhaul the tax system to eliminate many of the tax breaks and loopholes available to the corporate sector and to shift some of the tax burden away from personal income tax.

This will stimulate personal spending but could reduce corporate capacity for reinvestment if profits from increased turnover do not match higher taxes.

However, opposition politicians are predicting that the government will choose to cut spending rather than impose a greater tax burden on the business sector. They say this is because the government fears damping off the inward investment which has been growing steadily, especially in the new high-technology industries which the government is actively promoting. An accelerated privatisation programme is considered likely with Telecom Eireann, the now profitable telecommunications company, a probable first target in 1992.

The government says that it does not have the capacity to meet the I£340m in increased pay awards to the public sector next year, which means that the government's entire Programme for Social and Economic Progress, (Pesp) has to be renegotiated with the trade unions.

The three-year plan was thrashed out last year, building on the success of the 1987 recovery programme. But having seen the Pesp stumble at the first fence, the unions are wary of entering into new commitments with the government which it again might not be able to fulfil.

The sparks of the recent scandals were ignited in the dry tinder of the thwarted expectations of the unions and the jobless. They turned into a political bushfire, burning a trail all the way to the boardroom doors of the state-run companies which Mr Haughey's executive friends had turned around into profitable companies. The scandals led to a frontal assault on the government which very nearly toppled it last month.

In a hasty fire control exercise, Mr Haughey's ministers ordered inquiries into the allegations of dual interests by these entrepreneurs. They stand accused of having profited unethically or illegally in property and share deals from their inside knowledge and connections within the companies. The heads of five state-run enterprises have resigned after political pressure to do so.

Questions are now being asked as to whether, having seen their colleagues' fingers burnt, other private sector high-flyers will risk stepping into the public sector to take the place of the fallen angels, and whether Mr Haughey can regain the confidence of the business sector and unions.

Mr Dick Spring, the Labour party leader, describes Mr Haughey's approach as quick-fix economics. However, it is unlikely that the changes the Taoiseach has brought about over the past four years will be so ephemeral. The new International Financial Services Centre built on the old Customs House dock in Dublin, stands as one symbol of a number of big projects created by the entrepreneurial drive Mr Haughey sought to unleash. The sceptics were confounded. Privatised companies such as Greencore (formerly Irish Sugar) and Irish Life have bright futures. Telecom is now considered one of the best-run telecommunications companies within the EC. Even the detractors will grudgingly admit: "You had to wait years to get a telephone before".

What will inevitably result from the inquiries, regardless of whether there is any evidence to declare the accused guilty of malpractice, is that new ethical standards will soon be introduced into the running of Irish business. The government is drawing up guidelines on a code of ethics in the running of state companies. The public accountability of politicians' and executives' financial interests are to be increased, albeit late in the day.

An economy with solid foundations is emerging in Ireland, even though severe structural problems still exist especially in the agricultural sector. If a more accountable political and institutional framework emerges as the result of the recent government crisis, it can only make the country better placed to take advantage of the upturn when the recession ends.

Whether Mr Haughey will survive the damage he has suffered in recent months and will still be there to continue building on his early successes remains to be seen. Should he be forced to go, his legacy will have been to have mapped out a path for Ireland to follow up to the end of the decade, and to have erected a few signposts to the pitfalls.

COMMUNICATIONS

Cleaning up the tourist joke

WITH THE approach of the single market Ireland's obvious geographic disadvantages in terms of trade are set to become even more acute.

Perched on the edge of Europe, it will soon become the only EC country with no land link to the rest of the Community, when the channel tunnel between France and the UK is completed.

The need for an improved roads network has long been recognised in Ireland. Roads are particularly crucial to the health of the economy as they carry more than 90 per cent of goods moved in and out of Ireland.

The state of the Irish roads system has been the source of many a tourists joke, and in recent elections some independent candidates in rural areas were elected solely on the basis of a campaign for the filling of potholes.

However, many of the jokes and criticisms are directed at the local road network, where delapidation has more of a social than economic impact.

According to Dr Con Power, chairman of the National Roads Authority, the upkeep of Ireland's extensive roads network is far more costly than the country can afford.

The government reiterated its view in January 1991 with the Programme for Economic and Social Progress, a charter for economic development agreed with labour and industry interests. It stated that I£9bn would be needed for the full restoration of the roads system, a figure representing more than one-third of the national debt.

It has proposed spending about I£600m in a 12-15 year programme to develop only the national primary roads.

"It is obvious that government must rigorously apply priorities and the most pressing need is to ensure the adequacy of the national primary roads which are the main trade routes," says Dr Power. But he has criticised the projected duration of the programme as "far too long, having regards to the realities of international competition."

Port facilities have been called into question. In the second half of the 1980s there was a doubling of the volume of freight being transported from the republic to Britain via Northern Ireland. This was in spite of the fact that routing through the Northern Ireland port of Larne could add hundreds of miles to a southern haulier's journey. The republic's east coast ports would seem more convenient, being closer to the UK's main population centres.

Significantly lower port charges and ferry costs in Northern Ireland ensured that exporters based in the republic's midlands could make savings of 10-15 per cent by taking the Larne route.

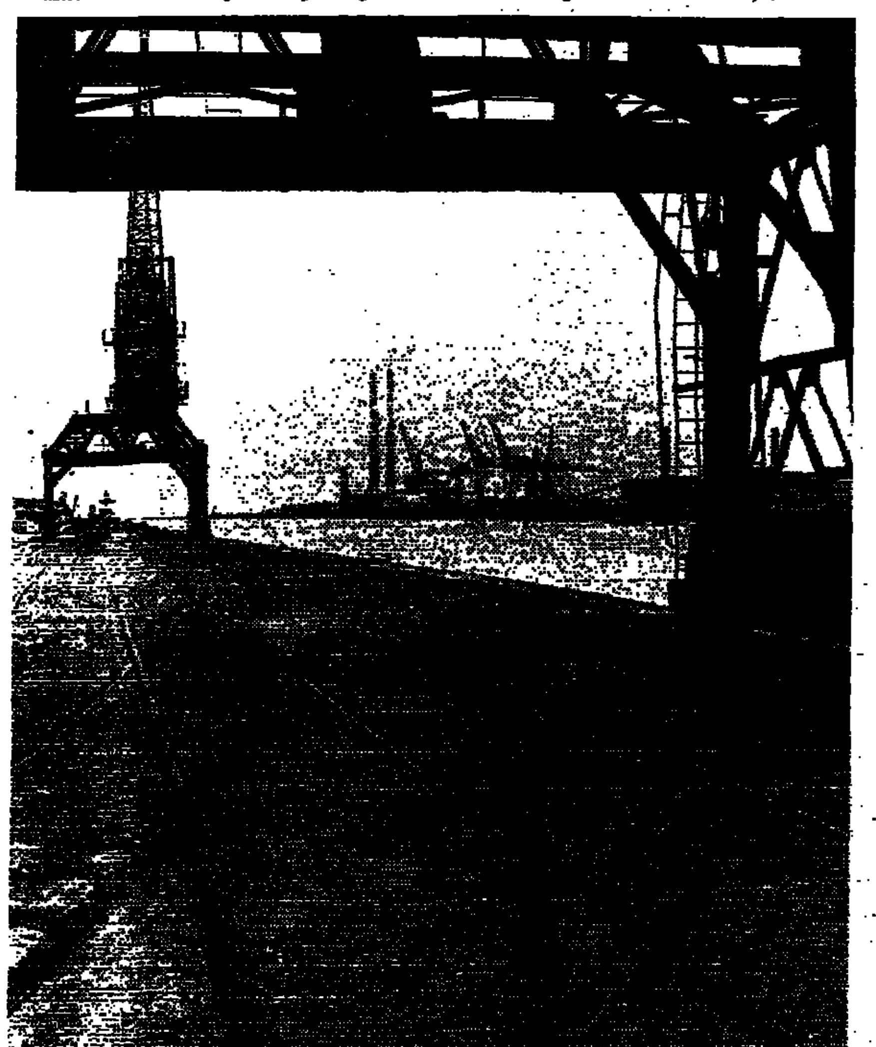
The diversions were calculated to be costing the Irish economy more than I£50m annually. According to Mr Tom Ferris, head of planning at the department of transport, the total number of freight units to and from Ireland's ports (north and south) was just over 1m units in 1990, of which 58 per cent went through the Northern Ireland ports. The ending of a lift-on/lift-off service in the republic's main port, Dublin, has further increased the trend towards the northern ports.

Dublin is facing the gravest financial difficulties in spite of extensive rationalisation, having paid I£9m in interest on I£17m borrowed in the mid-1970s. The port authorities argue that straight comparison of Dublin with Larne is unfair, as Larne handles only roll-on/roll-off traffic while Dublin caters for passengers and cargo in various forms.

Access remains the capital's greatest problem and one state agency has suggested the entire port be moved away from the city centre.

However, the same investment programme being applied to roads, which is two-thirds financed by the EC, has set funds aside for the development of ports. Although the roads investment will improve access generally, I£69m has been set aside for direct investment in port facilities.

John Maher



On the rails: the ending of a lift-on/lift-off service in the republic's main port, Dublin, has further increased the trend towards the northern ports

IRELAND 2

■POLITICS: 'How long can Charlie hold on?'

The art of survival

Charles Haughey (right) is a seasoned political survivor but if a succession were to take place, Albert Reynolds, finance minster (centre) is tipped as favourite. Gerard Collins, foreign minister, says there is no weakness of resolve in Dublin over its commitment to the Anglo-Irish agreement

ONE OF the longest running debates in Nesbitt's, a famous Dublin bar where journalists and politicians rub shoulders and swap gossip, is "how long can Charlie hold on?"

Charlie is Mr Charles Haughey, the prime minister and Caesar-like figure of Irish politics. At 66 years of age, he is a seasoned survivor of political skulduggery in the corridors of Leinster House, the seat of government. After he narrowly survived a motion of confidence vote in parliament recently, a senator from Fianna Fail, Mr Haughey's party, confided he had won I£250 in a bet on the outcome. When asked if he was so sure of the result he said, "no, but I liked the odds". They were 2.5 to one.

The government puts on a business as usual face

Such omens indicate that Mr Haughey's Ides of March may finally be approaching. The financial scandals which have recently broken over his government and had the press and opposition snapping at his heels for almost two months continuously, have taken their toll. The mood has changed within his Fianna Fail party, demonstrated recently when four rebellious young backbenchers made public their concerns over his leadership and suggested that he should step aside.

He has calmly reassured critics and doubters that he firmly intends to lead Fianna Fail into the next general election, due no later than 2½ years from now. But a growing number of FF backbenchers and, if persistent rumours are to be believed, a cabal of cabinet ministers, are increasingly concerned that Mr Haughey is becoming an electoral liability. This is largely due to his public association with the prominent business figures who have been at the centre of the scandals and are the focus of government inquiries. The Progressive Democrats (PDs), who are the junior partners in the government coalition, share the concern.

The fatal stab in the back will have to be delivered by one of his ministerial entourage, and none so far has shown much enthusiasm for wielding the dagger. If a succession were to take place, Mr Albert Reynolds, finance minister, is strongly tipped as the favourite although he politely eschews any questions regarding his alleged prime ministerial ambitions and continues to aver his loyalty to Mr Haughey.

In the confidence debate in parliament, deputies from the opposition Fine Gael party taunted Mr Reynolds with accusations that he "didn't have the guts to tell Charlie to go". Mr Haughey, seated next to Mr Reynolds, smiled back serenely at the opposition benches from under hooded eyelids.

The prime minister is well aware that none of the political parties wants an immediate election in spite of the loss of political and business confidence that the scandals have triggered. Mr John Bruton, the Fine Gael leader, has been largely upstaged in recent weeks by Mr Dick Spring, the Labour party leader, as the principal opposition spokesman and he has not been able to capitalise on Mr Haughey's misfortunes.

Opinion polls show Fianna Fail holding a strong groundswell of support with Fine Gael trailing behind in second place, although Mr Haughey's personal popularity has sunk. The Labour party, with only 15 seats in the 166-seat Dail (parliament) wants more time to prepare for an electoral campaign.

Mr Haughey is therefore gambling on a hope that the scandals will soon be forgotten, and that the new pact with the PDs will enable his government to effect some turnaround of the economy in the coming year. The question is whether the current inquiries into the Greencore sugar company, the Goodman meat-packing plants and the Telecom property deal will turn up evidence of political connivance, as has been alleged. Prospects for an economic upturn depend on external factors, and are largely beyond the control of ministerial intervention.

Nonetheless, the government is putting on a business as usual face, and doing its best to project decisiveness in the affairs of state.

Mr Gerard Collins, the foreign minister, in an assertive speech to parliament, recently said that Ireland "will not contemplate failure" at next month's Maastricht summit on EC economic and monetary union, that CAP reforms must not affect its underlying treaty principals and that direct income support for farmers "must be adequate for all sections of the farming community".

He reassured the opposition benches that there was no weakness of resolve in Dublin over its commitment to the Anglo-Irish agreement or to its interpretation of it. Mr Collins said he had tackled the British government on a statement made by Mr Douglas Hurd, the British foreign secretary, at the Conservative party conference last month. Mr Hurd had said that "unity is no longer an issue" in Ireland.

Mr Collins said he had received "explicit assurances" from Mr Hurd that no British government policy changes were being contemplated.

"Nationalists in Northern Ireland will not accept an application of the agreement where the acknowledgement of their rights exists only on the level of abstraction. They see the need as we do, for a structure which gives real and effective expression to the aspirations of both [nationalist and unionist] traditions," Mr Collins said.

He warned that "neglect ... to give legislative effect to the alternative of a united Ireland if a majority in Northern Ireland wish for and consent to it ... would not be a balanced treatment of the agreement". He then added that the government "will spare no effort to get the talks back on course".

A gamble that scandals will soon be forgotten

The spectacle of turmoil in Dublin must have done little to convince the partners to any future multi-party talks, that the time is appropriate for initiatives or risk-taking. Uncertainty over the future elections in the UK has until now been cited as the principal obstacle to further progress. To that must now be added the uncertainty over the future leadership in Dublin.

Tim Coone

The International Financial Services Centre

On borrowed time

FOUR YEARS after it was first mooted, the International Financial Services Centre (IFSC) on the banks of Dublin's River Liffey is approaching completion.

More than 180 financial institutions are committed to establishing operations in the offshore centre and the IFSC seems destined for the success claimed by its promoters. But there are dangers.

Recently a delegation including two senior Irish cabinet ministers travelled to Germany to head off a challenge to the IFSC which could have led to disaster. The Irish government continually points to the IFSC as concrete evidence of its modern thinking and commitment to the nation's future. As indeed it might.

To a nation weaned on unfulfilled political promises, the IFSC stands out. The derelict Custom House Docks site in the inner city was destined for an urban renewal scheme. Then in 1987 it was designated the perfect location for the government's great new idea – an international financial centre which would revitalise a decaying part of the city and provide up to 7,000 jobs.

Four years later some of the world's largest financial institutions have set up shop in the centre, including Chase Manhattan, Citicorp, Sumitomo, Credit Lyonnais and Deutsche Bank. Finance arms of multinational industrial concerns such as Pfizer and IBM are represented. They have been tempted by a 10 per cent corporate tax rate, double rent relief and rates exemptions.

The EC Commission, whose permission was needed before such a scheme could be established, at first agreed to allow the privileges up to the year 2000. The permission followed acceptance of the Irish argument that the country's peripheral location was a severe disadvantage in a single market, and that some compensation was required.

Earlier this year the Irish government persuaded the Commission to extend the special status of the IFSC for a further five years, although the Commission insisted that after 2005 no further extension would be countenanced.

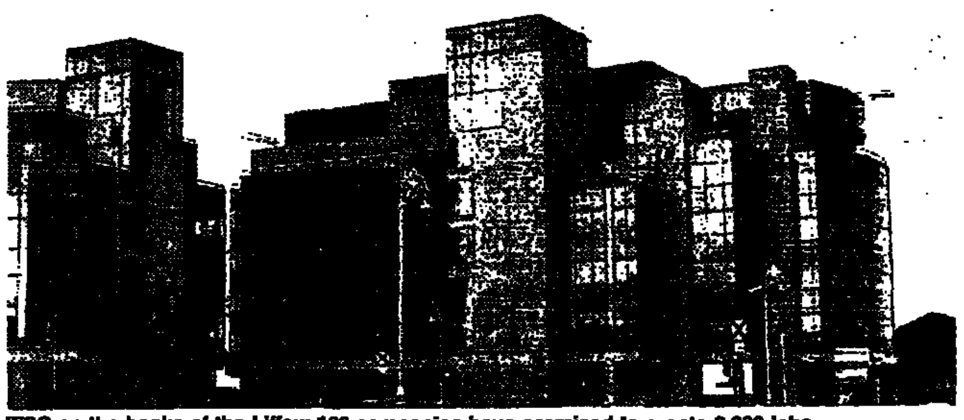
Although building on the site has progressed, there have been hiccups. The Custom House Docks Development Authority, which organises and promotes the centre, lost its second chairman in September when he resigned after a political row.

The first resigned after a boardroom dispute last year. The IFSC has its detractors. Many of the operations established there are Irish owned, leading to the suspicion that many of the jobs created are simply the result of businesses transferring from other parts of town.

The 180 companies approved for the centre have promised to create 2,800 jobs, still short of the overall jobs target in spite of its downward revision to a less ambitious 5,000. But the IFSC's promoters point out that companies are wary of forecasting likely staff numbers until their operations are up and running.

The Irish government has worked hard to convince its EC partners that the IFSC is not a tax haven, but provides wealth and employment which would not otherwise exist. But a warning shot was fired across the bows of the Irish government in September when the German cabinet proposed an amendment to German tax legislation which represented the most serious threat yet to the IFSC.

A measure of the seriousness with which the Irish government viewed the German initiative was provided when the Irish minister for foreign affairs and the minister for finance travelled to Germany to try to persuade parliamentarians there not to approve the draft legislation.



IFSC on the banks of the Liffey: 180 companies have promised to create 2,800 jobs

The proposed law would tax all German companies on the results of their overseas subsidiaries, regardless of their location or purpose.

The German government had been told that it could lose up to I£250m in potential tax revenue through German companies establishing operations in the IFSC. With more than 25 German operations in place in the IFSC, the immediate threat soon became obvious.

Two German bankers with operations in the centre warned that their clients might desert them, leading to the closure of their IFSC operations, if the legislation was passed. More potentially damaging was the possibility that other countries might imitate the German move if the tax law changes were implemented. This was in spite of their apparent conflict with an existing double taxation agreement between Germany and Ireland, and the fact that the IFSC's tax concessions have the approval of the EC authorities.

The two ministers reached an understanding with the parliamentary committee considering the draft law.

The amendment to the legislation could be changed, if the Irish could provide detailed reassurances that the centre would not become home to brass plate companies – cash conduits rather than creators, that have been set up to circumvent tax laws elsewhere.

The Irish department of finance and the tax authorities have since despatched a detailed report on the procedures for IFSC approval to the German committee. The encounter was a reminder that the IFSC operates on borrowed time and as the EC moves towards a single market, member state's tolerance of it will have limitations.

The Irish government believes that when the tax concessions allowed by the Commission come to an end, IFSC operations will find other reasons to stay in Dublin. Among these may be the international tax treaties – there are more than 20 – which give Ireland an advantage over other offshore centres.

The Irish authorities will work to find other attractions to keep the foreign institutions in Dublin. The aim will be to ensure that after 2005, the cluster of office blocks on the Custom House Docks site will be a thriving and truly international financial centre, and not a high-technology relic of an era of optimism.

John Maher

■PROFILE: the Irish Labour party leader

Bringer of storms

AS Mr Charles Haughey's government has staggered dazedly from one scandal to the next over the past two months, one Merlin-like figure emerged to whip up the political maelstrom that had the government teetering on the brink of collapse last month.

Mr Dick Spring, Irish Labour party leader and rising star of the Irish political scene, has become almost as familiar with TV audiences as the characters of a soap opera.

He has appeared almost nightly on news and current affairs programmes, lambasting Mr Haughey for his handling of the crises. He has tilted at the most powerful business personalities in Ireland, some of whom are the focus of several government inquiries.

Like a sprightly picador homing in on a wily but tiring bull, Mr Spring has drawn blood and seriously weakened Mr Haughey, one of the country's most stalwart and experienced political in-fighters. As a result of Mr Spring's attacks, Mr Haughey has had to distance himself and his government, from some of the country's top businessmen who were his erstwhile friends.

Mr Spring, 40, is part of the younger generation of Irish politicians who entered the Dail (parliament) in the late 1970s and early 1980s, and who are now challenging their older peers on style, image and ideology. "Many younger politicians in the Dail want a clean break with the Haughey-style of politics. He is of the past generation. Their time is over," he says. He has been helped by a sympathetic press, a relationship which has grown out of mutual interest. Ireland is a highly litigious society, and writs are liberally slapped on publishers and broadcasters by those they try to expose when there is a whiff of scandal.

Mr Spring, with his parliamentary privilege, can be reported without fear of solicitors banging on editorial doors. He has relished his role, and as such has become one of Ireland's principal whistle blowers. He has been at the forefront in launching barrages of allegations of wrong-doing and political chicanery against Mr Larry Goodman, the so-called Irish beef baron, Mr Michael Smurfit, the ex-head of Telecom Eireann and prominent businessman, and Mr Dermot Desmond, head of NCB stockbrokers and whose brainchild, the International Financial Services Centre, is a flagship project of the government.

'I do not knock people just for the sake of knocking'

Mr Spring replies to charges of political opportunism by claiming, "I do not knock people just for the sake of knocking. I will not stand back and let a lack of business and political ethics develop in this country.

"In such a difficult economic situation we need everything to be going right for us. Inward investment will be attracted by stability in government and straight dealing." He admits to "enjoying my role in opposition".

Having assumed the leadership of the Labour party in 1982, he was a cabinet minister in the coalition government with Fine Gael until 1987.

The party's fortunes have waxed and waned for the past 80 years, never managing to break the grip that the two principal parties have held on Irish politics.

Mr Spring sees his main task to reorganise the party at a national level, to field candidates throughout the country and "to win a solid block of 30 deputies" in the Dail.

The victory of Mrs Mary Robinson, the Labour candidate in the 1990 presidential elections, has gone a long way to lifting party morale. "It heralds an era of new politics," says Mr Spring.

He is reluctant to commit the party to any future coalition, preferring instead to see Fianna Fail and Fine Gael forced into a coalition government, with the Labour party assuming the principal opposition role.

"I was in a coalition cabinet for four years as a junior partner. It was very frustrating and I don't want to repeat the experience," he says. His party has displaced Fine Gael into third place in the capital.

He is not unhappy that Mr Haughey has survived the present crisis. "We are ready to fight an election but we will be in an even better position next year," he says.

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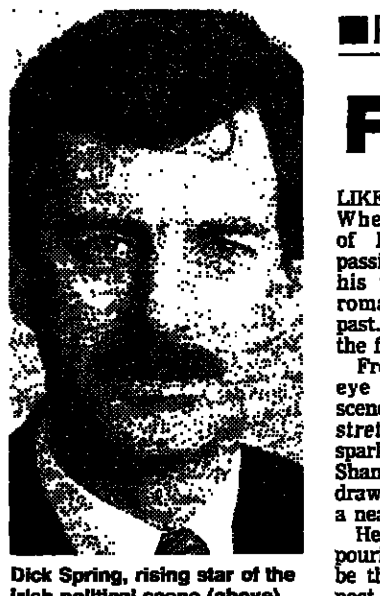
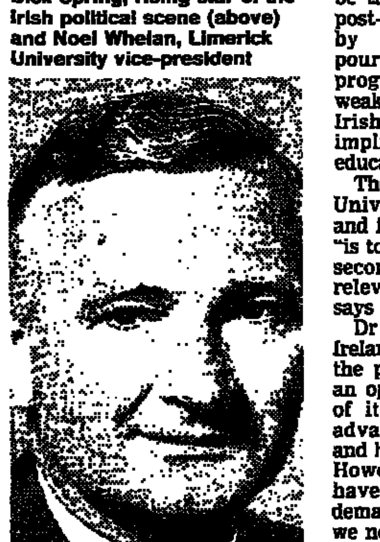


Dick Spring, rising star of the Irish political scene (above) and Noel Whelan, Limerick University vice-president



■PROFILE: vice-president of Limerick University

Focused on the future

LIKE MOST Irishmen, Dr Noel Whelan, the vice-president of Limerick University, is passionate about Ireland. But his passion is not one of a romantic and vainglorious past. His is firmly focused on the future.

From his office window, the eye can savour a pastoral scene of well-tended meadows stretching down to the sparkling waters of the River Shannon. However, he quickly draws the visitor's attention to a nearby construction site.

He points to the workmen pouring cement into what will be the university's new I£15m post-graduate research centre by next year. Then he pours out facts, figures and prognoses on the strengths, weaknesses and needs of the Irish economy and the implications for Irish higher education.

The main role of Limerick University, Ireland's newest and fastest-growing university, "is to create graduates that are second-to-none and that are relevant to Ireland's needs," says its vice-president.

Dr Whelan points out that Ireland, as a small country on the periphery of Europe, with an open economy, has, as one of its principal comparative advantages, its well-trained and highly-educated workforce. However, the new graduates have to be attuned to the demands of the "global village we now live in", he says.

He had a distinguished career in the Irish civil service, which has took him from research evaluation in the agriculture ministry, through the finance ministry, economic planning department to the prime minister's office.

Dr Whelan has been at the centre of Ireland's decision-making process for most of the past two decades. He has been vice-president of the European Investment Bank (a post he still holds in an honorary capacity), which has given him a panoramic view of Ireland's place within the European Community.

'Our agricultural problems are the same as in 1973'

"We need to be keenly aware of what industrial and related sectors are likely to survive and prosper in the EC post-1992. We need to target specific sectors within Ireland which are in sympathy with these growth sectors," he says.

He laments the past focus of the Common Agricultural Policy: "The structural problems of Irish agriculture are the same as when we entered the EC in 1973. If all the money that was spent on agricultural support had been rechannelled into infrastructural development instead, there might have been a longer-lasting benefit for Ireland".

A government sectoral development committee which he chairs noted in a recent report: "Ireland is well positioned in the manufacturing sectors which are the fastest growing in Europe: office and electronic data processing equipment, electrical engineering and pharmaceuticals. Its economy is also very exposed to agriculture, a declining sector, and food and drink, a sector which will be characterised by rising concentration as competition for slow-growing food budgets intensifies."

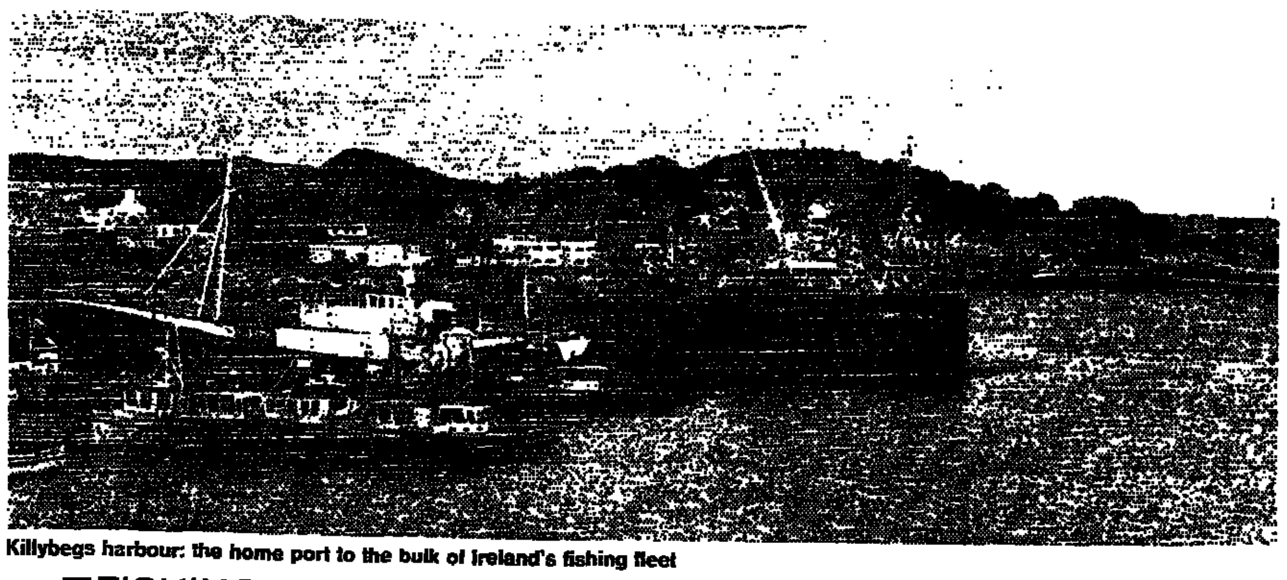
The new chairs of studies opened in the past year at Limerick reflect the committee's observations and concerns: telecommunications, aircraft engineering, accounting and finance, chemical engineering, law, Japanese studies, European integration, and peace and co-operation studies.

The new post-graduate research centre, and a nearby technological park attached to the campus, are intended to make Limerick "a national centre of excellence for research and development in advanced technology," says Dr Whelan.

Telecommunications, aviation research, power electronics, advanced materials, sensors, advanced manufacturing technology, analog circuit design and computer software are the priorities. The university has been designated the national centre for tourism policy studies.

By the end of the decade, Limerick University will be producing 2,500 graduates a year and Dr Whelan anticipates its contract research budget will be I£10m annually. Well trained graduates are not sufficient in themselves according to Dr Whelan. Industrial policy "must also have a hands-on approach to those sectors which have potential. If not, we will continue to suffer from endemic and insidious job losses," he says.

TC



Killybegs harbour: the home port to the bulk of Ireland's fishing fleet

■FISHING INDUSTRY: heading for deeper water and . . . .

An uncertain course

ON THE wild, windswept coast of Donegal a lighthouse drives a thin pencil of light out through dense sheets of rain and spray sweeping in from the Atlantic. It marks the entrance to Killybegs harbour, the home port to the bulk of Ireland's fishing fleet.

In the cosy bars of the town, ruddy-cheeked trawlermen talk of the recent victory of the local Gaelic football team over the league champions. They lament the fact that most of the team will be at sea for the next match. The mackerel season is starting and with it the busiest time of year for this close-knit fishing community.

If the locals know how to find their way home by the Killybegs light, they are far less certain of the course their own industry is taking. A fog of EC restrictions and quotas, a latter-day armada of Spanish trawlers marauding in Irish fishing grounds and a lack of political clout at home, has left many an Irish fisherman's horizon looking decidedly bleak.

Mr Frank Doyle, the president of the Irish Fishermen's Organisation (IFO) says: "The outlook is not optimistic. Ireland's fishing policy is very unsatisfactory. There are no development criteria."

He points out that whereas Ireland has 16 per cent of the EC waters within its 200-mile limit, Irish trawlers take only 3.2 per cent of the total EC catch. "It is 20 per cent of what we should be entitled to," he says.

Many of the rural communities in the west of Ireland have few employment alternatives, with agriculture in decline and tourism offering only limited possibilities. "Fishing is the one resource which would provide long-term economic returns to the coastal communities," says Mr Doyle.

The problem is that Ireland missed the boat when the EC Common Fisheries Policy (CFP) was drafted nine years ago, and catch quotas were allocated to each member state's fleet on the basis of historic catch levels.

In Killybegs, heads are shaken ruefully when the subject is broached. "Today you can only buy new boats and modernise if you sell the equivalent tonnage outside of the Community," says one leading trawler-owner. "Most of the coastal waters are now fished out so we must move into deeper waters. We know the fish are there, but the Irish fleet is not equipped with the big boats and powerful winches for deep water fishing."

The problem is that Ireland missed the boat when the EC Common Fisheries Policy (CFP) was drafted nine years ago, and catch quotas were allocated to each member state's fleet on the basis of historic catch levels

A review of the CFP is due next year and a spokesman for the Irish marine department says: "Ireland got a bad deal out of the CFP. We agree with the fishermen on this. We shall be pressing very firmly for a better deal during next year's review. There should still be room for development of the fisheries here". Any increase in the present Irish annual quota of 183,000 tonnes must be at the expense of other member states and is likely to be strongly resisted.

The one glimmer of hope is a government scheme for a mid-water fleet to help increase white fish catch capacity, an area in which Ireland has been unable to fill its quota. About 20 licences are available.

The Killybegs trawlermen say that a 90 feet or 400 tonne ceiling on boat size within the scheme is too low to enable them to exploit the deeper waters. The government's reasoning is that it wants to distribute the licences among communities all along Ireland's west coast, and not put the extra catch capacity in just a few large trawlers.

The new boats will therefore have to compete in the increasingly overfished waters over the continental shelf. Mr Pat Conneely the owner of a white fish trawler at Killybegs says: "At one time you could go out in one day and return with a full hold. Now we have to go six or seven days. It's certainly not the Irish fleet that's overfishing, we don't have the capacity. It's the Spanish and French."

Fisheries protection is expensive. One estimate puts the present cost of patrolling at 25 per cent of the total value of the national catch, the latter being worth some I£100m annually. The seven patrol vessels of the Irish Naval Service are simply insufficient to police some 100,000 sq miles of ocean under Irish jurisdiction.

"The chances of being caught are very low" says Mr Doyle. He is lobbying for higher penalties. "At their present level they are clearly not working. Owners that are caught treat the fines as part of their operating costs."

Some have abandoned trawling and turned to salmon farming. At Inver Bay, just along the coast from Killybegs, the site manager of one salmon farm says: "The small fisherman cannot make a living here any more. The fish just aren't there. I gave up four years ago and started with salmon".

Salmon sea farming in Ireland earns more than trawled catches. However, it has run into a storm of criticism from environmentalists and anglers who claim the fish farms pollute the sea estuaries, and escapees are interbreeding with the wild salmon, affecting the quality of the wild product. Both claims are vigorously denied by the salmon farmers. They are facing bad times due to competition from Scottish and Norwegian producers who dominate the market.

Trawlermen and salmon farmers fear the Norwegians. A 15 per cent tariff on processed fish products gives the Irish an edge against the Norwegian competition. EC officials are negotiating a free trade agreement with the Efta countries though, and fisheries has become one of the main sticking points with the Irish voicing the loudest objections.

With no change in EC quotas or an increase in regional development funds, the thriving coastal communities such as Killybegs, face stagnation or eventual decline.

"There is a fundamental clash between the CFP and regional development policy within the EC. One or the other has to give," says Mr Doyle.

Tim Coone

■INWARD INVESTMENT: foundations for high-tech infrastructures

Emphasis on service sector

TWO OF the biggest industrial projects to be seen in Ireland for decades got under way during the past year.

By the Shannon Estuary, the vast I£80m hangar and aircraft maintenance facility of Shannon Aerospace is rising like a monument to Ireland's launch into the aviation industry. The project, a joint venture involving Lufthansa, Swissair and GPA, the world's largest aircraft leasing firm, should see Shannon Aerospace servicing narrow-body jets from the world's air fleets by this time next year.

Near Cork, Sandoz, the Swiss pharmaceuticals company, is in the process of building a new I£200m production facility where eventually 45 per cent of its international business in pharmaceuticals will be manufactured.

The two projects are symbolic of the country's success in attracting inward investment to lay the foundations of a high-tech industrial infrastructure and to provide jobs for the ever-growing numbers of secondary school leavers and graduates. Ireland's low corporate tax rate of 10 per cent, a highly-skilled workforce and low unit costs lie at the heart of this success.

The Irish chemical industry is one of the fastest-growing in Europe, according to figures from the Federation of Irish Chemical Industries (FICI). "The rate of reinvestment in the industry is running at some I£60m annually," says Mr Neil Buckley, the director-general of FICI.

In the aviation sector, the opening of the 110-acre Shannon aviation park last month is designed to capitalise on Shannon's free zone where a strong electronics industry has grown up in the past two decades alongside the international airport.

Attractive cash grants for capital, training and R&D costs are being made available from Shannon Development, the government development agency for the region, to promote the park and to bring in international industries in manufacturing and services. Ms Ina Reddan, the marketing manager charged with administering the programme, says: "We want Shannon to be to aviation in Ireland what Silicon Valley was to electronics in the US."

'Inward investment is not the answer in itself to job creation'

Not all has been going as well as planned. Last year, some of the leading US electronics and software companies, such as Wang, cut back output considerably and laid off hundreds of workers.

Financial and political pressures upon the government have led to a questioning of the tax concessions and cash grants given to the corporate sector. Last month, the two coalition partners in government agreed to an overhaul of the tax system, with a view to eliminating a wide range of tax breaks and loopholes, to facilitate a reduction of personal income tax levels over the next two years.

Details of how the cuts will fall will probably not be revealed until the Budget in January. "It is inconceivable that there would be anything in that package that would affect the government's commitment to retaining a maximum corporate tax rate of 10 per cent until the year 2010," says Mr Buckley.

However, it is most unlikely that the government will renege on its pledge, although Mr Albert Reynolds, the finance minister, has publicly questioned whether the present system has achieved the desired goals in job creation, and said that the long-term goals of the country must be to develop indigenous Irish industry.

The execution of Ireland's industrial policy largely falls to the Industrial Development Authority (IDA), and its smaller sister Shannon Development which has specific responsibility for the Shannon region.

"Inward investment is not the answer in itself to job creation, but it is making a significant contribution," says Mr Dan Flinter, the IDA executive director for overseas industry. The IDA has a capital budget of I£100m a year in grants or for investment in new industries. This is split 55:45 between local and foreign companies respectively. Much of the funding comes from EC regional development funds and there is hope that this will be increased as a counterpart to the planned reductions in the level of EC farm support.

Criticism of IDA policies, such as "using a shotgun rather than a rifle in targeting industries" (as one university professor put it) has caused a shift in focus in the mid-1980s to a more careful analysis of trends and industrial markets.

"We have to make judgments on the best use of our scarce human and financial resources," says Mr Flinter. The average cost of every job created with grant aid has fallen from over I£20,000 in 1987 to about I£15,000.

Mr Flinter says that more emphasis will be placed on encouraging the private sector to build advance factories, and for the IDA to take equity stakes in new companies rather than giving capital grants in every instance. He expects a growing emphasis to be placed on service industries.

The opening of the new International Financial Services Centre in Dublin this year, which is an IDA-funded project, grew out of the IDA experience in drawing service industries into other locations around the country.

The ultimate yardstick of the IDA's success will be whether the jobs that it helps create will remain. The pace of restructuring in the Irish economy is breathtaking, with almost as many jobs being lost every year as are created with the help of IDA funds.

"Our strategy is to support companies with a long-term competitive advantage. The baling-out of companies in difficulties with no real future is not the answer," says Mr Flinter.

The development of high-technology industry, accompanied by consolidation in the food industries, and supported by a growing and efficient services sector with a view to companies being able to hold their own against EC competition, is the course being charted out by the IDA for industrial development in Ireland.

The role of foreign investment has been vital in laying the foundations for that game plan. "Irish and foreign companies can find the senior executives here in Ireland with the necessary international experience which will be needed for future growth. That wasn't the case two decades ago," says Mr Flinter.

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■AGRICULTURE: the real world is closing in on the bucolic bliss

Small farmers forced to bow to the winds of change

IRISH FARMERS, like many of their EC colleagues, tend to be a proud and conservative bunch. Change is anathema. They like to be left to get on with their farming with as little interference as possible.

For the past two decades, the EC Common Agricultural Policy (Cap) has encouraged them to do just that. Price supports and intervention buying have insulated them from the outside world and their competitors in the Argentine Pampas and the New Zealand year-round postures. The Irish countryside is dotted with modern, double-glazed bungalows displacing the stone-built cottages of the last century as the typical image of the rural lifestyle. Gleaming, powerful tractors can be spotted nestling in a shed on the smallest of holdings.

The General Agreement on Trade and Tariffs (Gatt) has changed all that. The real world and the global market place is breaking in on this bucolic bliss. The need for the large trading partners of the world to come to an agreement in the Uruguay Round of Gatt, to liberalise trade and to sustain world economic growth into the next century, has signified that small farmers in the industrialised North will increasingly have to cede market share to their counterparts, in the developing South and eastern Europe.

Mr Ray MacSharry, the EC agricultural commissioner and Irishman from rural Sligo, is not loved by his compatriots. He has had a tough time convincing the farming lobby at home that the package of 30 per cent cuts in farm support covering the period 1986-96 being proposed as part of the EC-Gatt negotiating package will be compensated by a system of direct payments to producers. Recent talk of further flexibility by the EC on the agriculture issue, has worried farmers still more.

The theory of comparative advantage is lost on the average Irish farmer. A typical reaction is one of "I don't want dole money or social security. I want a fair price for the products of my labour".

Ray MacSharry, the EC agricultural commissioner and Irishman from rural Sligo, is not loved by his compatriots

Mr Brian Barry, the executive secretary of the powerful Irish Farmers' Association, says the MacSharry proposals "sent shock waves through the system. There is greater despondency now than has been seen for a long time".

"There is a feeling that the European farmers are being forced to become the safety-valve in the world dairy market," he says, referring to the milk quota cuts that first began to bite in 1987. When the MacSharry proposals were first made last year, the IFA organised protests outside the US Embassy in Dublin and in Mr MacSharry's home town of Sligo.

The quota cuts have forced a decline in the number of milk producers in Ireland from a level of 64,000 in 1983 to 46,000 at present. A recent study by the IFA notes that farm incomes fell by 12 per cent in real terms in 1990. A further fall of 11.5 per cent is predicted for 1991.

"This major cut in farmers' living standards has been suffered before the Gatt support cuts or the Cap reform process have even begun," the report says. The IFA calculates that farm income from a typical 30-cow dairy herd has fallen from a level of 130 per cent of average industrial earnings in 1989 to a forecast 53 per cent this year.

The structural problem of Ireland's agriculture is further complicated by the fact that it is largely grass-based. This creates strong seasonal peaks of output in both milk and beef through the spring, summer and autumn. Processing plants have to invest in machinery to cover the peaks, but then are mothballed through the winter, or kept just ticking over, making them less competitive than their EC neighbours which have a more continuous year-round supply.

Mr Alan Gillis, president of the IFA, warns that the Cap reform and Gatt proposals "will force farmers to choose least-cost production, which is mainly from summer grazing, thus further accentuating the seasonality problem".

The farming lobby in Ireland is a powerful one, and the fight is expected to be a tough one

Some farmers have responded to the problems in the dairy industry by converting their herds into beef, but there is limited scope. "What pays is milk," says Mr Barry. The capital investment in dairy equipment makes conversion difficult. Quota cuts are forcing a rationalisation and concentration in the dairy processing industry. Many of the smaller co-ops have been absorbed by the larger ones in recent years, a trend that is likely to accelerate.

If the cuts are being viewed almost as inevitably as a rainy summer in Dublin, what are the alternatives? A growing number of producers are going into part-time farming and cashing in on the growing tourism trade. In some parts of Ireland, such as Donegal in the north-west, tourism contributes more to local wealth than farming. Others have opted for more exotic but potentially profitable niche markets such as mushrooms and deer farming.

Mr Barry is sceptical that such alternatives can provide a lasting solution. Many of Ireland's farmers are ageing, and reluctant or unable to deal with change. The traditional outlet for sons and daughter is emigration.

"The social dimension is so important here. Ireland has a unique dependence on agriculture, 15 per cent of the country's workforce derive their incomes from agriculture, one of the highest ratios in the EC. There has to be a special recognition of Ireland's problem," he says.

Mr Gillis's alternative strategy is to propose that imports into the EC must be controlled and stabilised, while production controls should seek to balance the internal EC market.

"Prices for farm products in the EC must reflect production costs and living standards in the EC," he told farm and business leaders recently. The farming lobby in Ireland is a powerful one, and the fight is likely to be a tough one. But as the EC turns its attention increasingly to the problems of stabilising eastern Europe and a possible expansion of the community, it is difficult to see how the Irish farmers can long hold out against the inexorable forces of change.

TC

■TOURISM: taking advantage of a healthier environmental image

The colour of money is green

TOURISM HAS become an increasingly important part of the carefully balanced Irish economy.

The country, which is predominantly agricultural, has never enjoyed a strong industrial base, in spite of successive governments' intensive and often expensive efforts to attract foreign manufacturers over the past 30 years.

By happy accident, Ireland has avoided many of the environmental problems associated with some modern industries. This is an obvious advantage for tourism and the Irish government has realised the need to capitalise on it, identifying success in this sector as one of the keys to economic stability and future prosperity.

According to a report prepared for the Irish Tourist Industry Confederation and published in October, tourism revenue represents about 7 per cent of Ireland's gross national product and the tourism industry made a contribution of more than I£1.1bn to the exchequer last year, compared with less than I£700m in 1985.

Irish holiday makers abroad spent only I£700m last year and just I£400m in 1985. Ireland has maintained its position as a substantial net beneficiary in the increasingly global tourist trade.

The industry's I£438m contribution to the current account last year amounted to more than half the country's balance of payments surplus. But the Irish government, fighting an unemployment level approaching 20 per cent of the workforce, has consistently urged the industry to measure its success in terms of numbers employed as well as revenue.

In 1988 the government directed Bord Failte, the state tourism promotion authority, to double annual visitor numbers and revenue in the five years to 1992, and to create 25,000 jobs over the same period. This required a growth rate of about 15 per cent per annum, a target which appeared daunting but has so far been largely achieved.

Not only has revenue grown. Last year the industry employed 90,000 people compared to 65,000 in 1989. The Gulf war ensured that 1991 started badly, with gloomy predictions of a national tourism disaster.


Street artist in Dublin

About 440,000 US tourists visited Ireland last year. This accounts for only 14 per cent of the total tourist market but US tourists make a disproportionately large contribution to the industry. They tend to be richer and more willing to part with their money than other travellers.

The Gulf war and the increase in international terrorism which was expected to follow it kept bookings from the US at extraordinarily low levels in January and February. Mr Martin Dully, chairman of Bord Failte, predicted that the number of US arrivals this year could drop by between 20 and 40 per cent.

In the event, numbers largely held up, with a speedy end to the conflict bringing renewed interest and bookings. In the period from January to June, the latest for which statistics are available, the US business fell by 29 per cent.

However, increases in tourists from elsewhere left the overall downturn at just 3 per cent.

An ambitious 30 per cent growth target had been set for the number of visitors from European countries in 1991. In 1990, 74,000 Europeans came to Ireland. The growth rate achieved up to the end of June was 12 per cent.

A surprising consequence of the year's unique booking pattern was an unprecedented crisis in the car hire industry during its peak summer season. Unlike hoteliers and restaurateurs, who can only gaze in dismay at empty rooms and tables when bookings are low, car hire operators can vary the size of their fleets according to expected demand.

In Ireland, tourists account for about 70 per cent of the car hire trade. During August many travel agents found it impossible to find cars for their clients, because the trade had predicted a drop in tourist numbers and had accordingly reduced the size of its fleet by 16 per cent. The problem is expected to be solved before next year's peak season.

A similar problem overcame the ferry trade, and it seems likely to recur.

A shortage of capacity on Irish Sea routes caused severe difficulties for travellers in July and August. The main carriers are studying the problem but in spite of the tourism promoters' best efforts, the ferry companies have yet to be convinced that the purchase of additional vessels can be justified.

Bord Failte has succeeded in increasing the impact of its advertising overseas with selective campaigns, in spite of contracting budgets.

Irish communities in the US are specifically targeted through periodicals and cable television. Taking space on the French Minitel home computer information service helped double inquiries from France, and tourism and consumer shows in Austria and Germany helped lift interest in those countries.

Direct mailing lists are compiled so that special interest groups overseas, such as anglers and golfers, can be advised of new developments in their fields. Much of the funding for new tourist projects comes directly from European Community grants, but the Irish government has played its part.

New hotel accommodation, and tourist orientated facilities such as marinas, have been funded indirectly by the exchequer through the Business Expansion Scheme, which provided tax concessions for private investors.

Earlier this year, the government announced a I£12m "agritourism" scheme offering grant aids to farmers for the development of leisure pursuits, with funding for up to half the total costs of a project available.

Reflecting the increased popularity of golf worldwide, 1991 has seen the construction of an unprecedented number of golf clubs and courses in Ireland. At last count there were more than 40 under way.

John Maher


Trinity College, Dublin

■PROFILE: Aosdána, transforming the arts

A little-known creative academy

AOSDANA IS 10 years old, and all but one of its 150 places are occupied. It is quietly transforming the arts scene in Ireland, yet hardly anyone, at home or abroad, is quite sure what it is.

"It's that thing that gives handouts to writers and artists" is the sort of definition of Aosdána that is current, even among the artistic cognoscenti of Cork and Dublin. Well, it is, and it isn't.

The modern Aosdána was invented by Mr Charles Haughey with the help of the poet Anthony Cronin, his cultural adviser. It was inspired by the Celtic social order in which the aes dana – the men of art – formed a special social caste slightly below the nobility but way above the commoner.

Today's Aosdána is a self-electing academy limited to 150 painters, sculptors, writers, composers and film makers. The late Samuel Beckett gave it his blessing, it accepted his nomination as a founder member and subsequent honours, but, elusive as Godot, never attended a meeting.

New members, who must be over 30 years old, have to be nominated by two members of their own discipline and elected first by their own discipline in a postal ballot and then by the general assembly. Quality of work rather than quantity or commercial success is the criterion. It helps if you have won a few prizes.

Election to Aosdána is undoubtedly an honour; for those with a social conscience it implies a certain responsibility. But its best known aspect is its practical one: an optional annuity (known as the Cnuas) to the value of £6,300 which allows the artist to devote his or her time wholly to creative work. Names of recipients are not released, but it is known that 80 of the 149 members receive it.

The existence of the Cnuas is remarkable in a state which has been better known for censoring its artists than subsidising them. It is not to be confused with tax exemption which has been on the statute books since 1969, also thanks to Mr Charles Haughey, and gives all creative artists resident in Ireland exemption from income tax on money earned from work which is judged to be "of creative or artistic merit".

The Cnuas is conditional only on need. The recipient must be permanently resident in Ireland (the north or the republic) and must apply for it in writing every quarter.

Its administration, according to Ms Patricia Quinn, development officer of the Arts Council and assistant registrar of Aosdána, is "very liberal and humane".

Income is reviewed on a three-year basis so that prizes and big commissions can be spread, and people decide for themselves when to stop applying. Irish artists, it seems, are an honourable lot and she could not think of any case where the request for a Cnuas had to be refused or even questioned.

Aosdána meets in general

Aosdána costs £0.5m a year out of a total budget for the arts of £9.4m

assembly (attendance voluntary) at least once a year to elect new members, debate procedural matters, discuss developments on the arts scene and intervene in them if necessary.

While no one person can be typical in a group of such distinct individuals as Aosdána, Dermot Healy, 42, novelist and playwright (two Hennessy Literary Awards among others), now living in Sligo, is representative of its younger members. He was elected three years ago, and the Cnuas was his first experience of a regular income, albeit one that he describes as "somewhere between a lowly paid civil servant and a highly paid dole person."

He explained the difference it has made: "In London, while I was writing my first collection of stories I spent three or four days a week labouring on the buildings. At the moment I'm editing Force Ten, a magazine of new writing, and I'm closely involved with the Seven Woods theatre company here in Sligo. I couldn't do that sort of thing before because any work besides my writing had to be out and out profit.

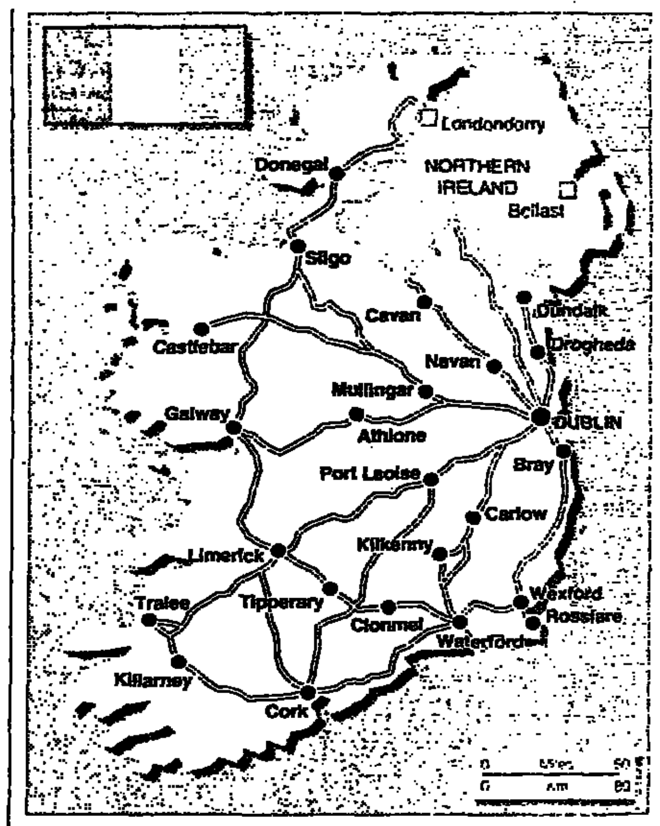
"But Aosdána is not just about the Cnuas. The meetings put a new perspective on the business you're in. We tend when isolated to become anything from paranoid to naive. This is good in terms of work, but it's also good to meet your peers and elders because it takes away a lot of misconceptions. And Aosdána gives you a voice; at the moment I'm trying to get the next general assembly to discuss having regional meetings of members to deal with things happening on the ground in their own locality which I think would encourage more people to take a responsibility for the arts in their community."

Aosdána costs £0.5m a year out of a total budget for the arts of £9.4m. This leaves scope for more traditional arts subsidy which, in Ireland as elsewhere, is chiefly concerned with providing facilities for the public in order to increase enjoyment of the arts. While corporate patronage of the arts is actively encouraged (brewers and banks have proved generous), Mr Haughey does not believe that private patronage, in a state as small as Ireland, can supply the necessary steady support to individuals. This is the gap that Aosdána is meant to fill.

Quality of work rather than quantity or commercial success is the criterion

Its most obvious achievement is to have encouraged many Irish writers and artists living abroad to return home, thus invigorating the local scene. Perhaps the best indicator of its success is the high degree of consensus that it inspires in the normally contentious Irish arts world. Who, after all, is going to bite the hand that, if it is not feeding them now, may well be doing so in a few years time?

Alannah Hopkin



KEY FACTS

Area	68,690 sq km
Population	3.503m
Head of State	President Mary Robinson
Currency	Irish Pound
Average Exchange Rate	1990 $1 = 1.66 Latest $1 = 1.58

ECONOMY

	1990	Latest
Total GDP ($bn)	42.5	n/a
Real GDP growth (%)	6.5	n/a
GDP per capita ($)	12,143	n/a
Components of GDP (%)		
Private Consumption	56.5	n/a
Gross Fixed Investment	18.1	n/a
Stockbuilding	0.4	n/a
Government Consumption	15.4	n/a
Exports	66.9	n/a
Imports	57.2	n/a
Consumer prices[1] (% growth)	3.3	3.5
Unit lab costs[2] (% growth)	2.4	1.2
Ind. wage rates[2] (% growth)	3.9	4.2
Ind. production[2] (% growth)	4.7	4.8
Unemployment[3] (% lab force)	17.3	19.0
Reserves minus gold[4] ($bn)	5.223	5.836
Narrow Money[5] (% growth)	7.5	18.0
Broad Money[5] (% growth)	8.9	9.3
Discount rate[6] (% pa)	11.3	10.3
FTA share price index[7]	-28.5	+20.7
Gross government debt ($bn)	43.86	n/a
Debt as % of GDP	103.1	n/a
Budget deficit ($m)	766	n/a
Current Account Balance ($bn)	1.4	n/a
Exports[6] ($bn)	23.6	13.9
Imports[6] ($bn)	20.7	11.8
Trade Balance[6] ($bn)	3.1	2.2
Main trading partners (% 1990)	Exports	Imports
UK	34.0	43.7
US	8.2	14.1
Germany	11.8	8.2
France	10.3	4.4
Netherlands	5.7	4.0

Notes: All growth rates are percentage increase over same period in the previous year. 1991 latest figure is for (1) third quarter (2) first quarter (3) May (4) August (5) second quarter (6) First two quarters (7) end September

Source: Central Bank of Ireland, IMF, Datastream, EIU

A vivid clash of black and white

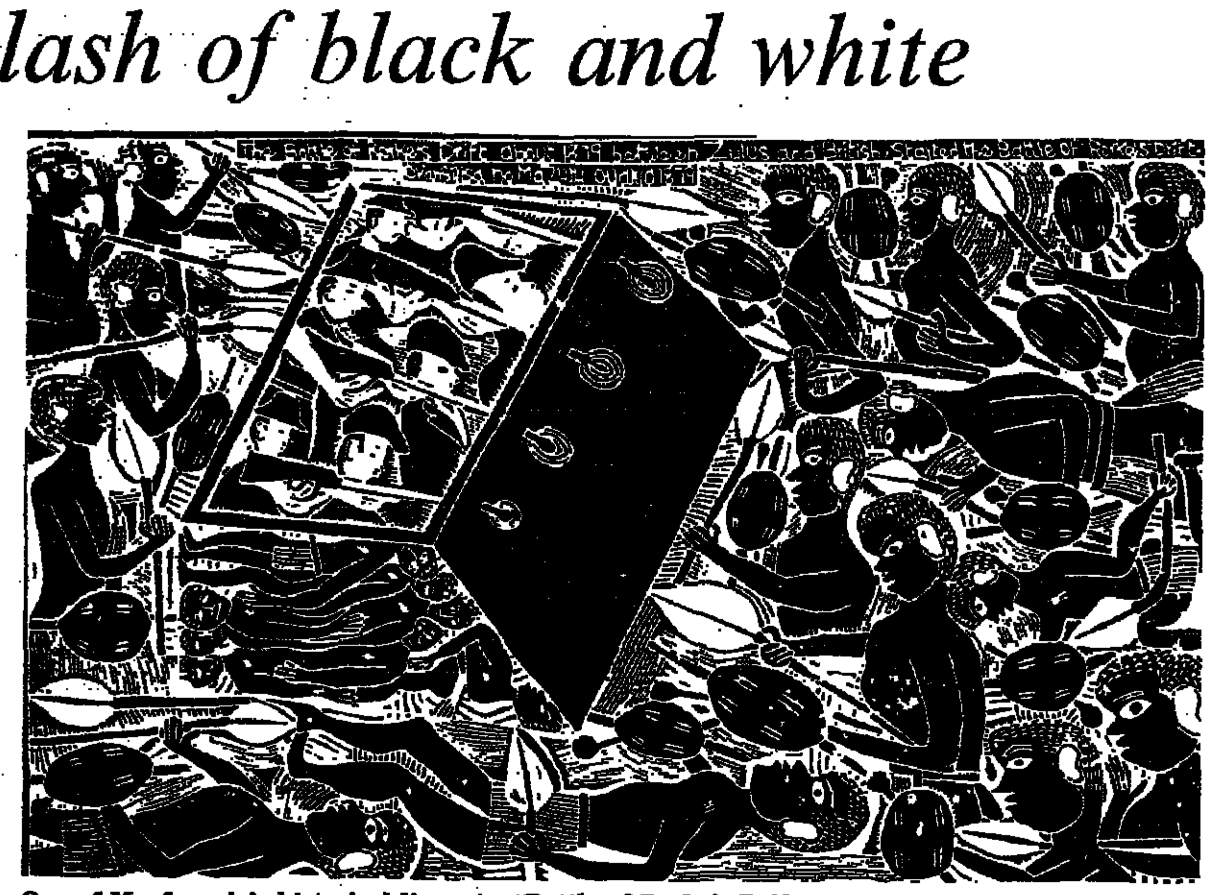
John Muafangejo was Namibia's most admired artist and he worked entirely in black and white. A new exhibition of more than 60 of his prints reveals him as an artist whose work is accessible and more provocative than one might at first sight think. His work was used as the backdrop to the Nelson Mandela concerts, so is this the exhibition of a "political" black African artist? Not exactly. The surprise of *John Muafangejo: I Was Lonelyness* at the Museum of Modern Art in Oxford (until January 5; Tel 0865-722733) is to find that Muafangejo's art is rooted in the older symbolic clash of black and white; the struggle between God and Satan.

Muafangejo was born in Owambo, an area which straddles the frontier between Angola and Namibia. When his father died, his mother moved to an Anglican mission in Namibia. Muafangejo was educated at mission schools and then went on a bursary to study at Rorke's Drift in Natal, at a school established in 1962 by the Swedish evangelical church to teach arts and crafts to blacks. Far from home, the young man suffered from the intense depression which was to afflict him all his life.

He became a teacher and settled eventually in Windhoek, unable to live in Owambo because of the war between South Africa and Angola. During the 1980s his work won him acclaim as one of southern Africa's leading artists. He died in 1987 at the age of 44.

The subject matter of these amazingly vibrant linocuts ranges widely. Some illustrate the stories and customs of the Kuanyama, Muafangejo's tribe, as in *Strong Man is Strangling the African Lion*. Others record historical events such as the epic *Battle of Rorke's Drift*, and two scenes of the assassination of Owambo chiefs. However a more significant part of Muafangejo's work is directly autobiographical. It deals with love, the death of parents, and his craving for the isolation in which he could become an artist.

Muafangejo's style is "naive" in the formal sense. A picture will often be divided into sections and vividly patterned like an African textile. Muafangejo seems often to have felt that the images alone were insufficient and so he included ribbons and blocks of text. The spelling is quaint, there are spoonerisms, and letters are often the wrong way round – not surprisingly, since they have to be carved in reverse on a linocut. But we should not be misled by the artless look of these texts; they contain a powerful clue to the artist's real intentions.



One of Muafangejo's historical linocuts, "Battle of Rorke's Drift"

Lonely Man, Man of Men has just such a straggling text, which continues "who is very happy and enjoying wiht [sic] his art work". In the right hand panel is the artist, holding an outsize scraper and linoboard. On the left is the ordinary life he shuns, two scenes of a drinking session and amorous couples. *John's Mother Was Died 1980* shows his mother's grave. Under it the son expresses his sorrow that he could not attend her funeral because of the war, and a biblical list of his mother's descendants. Both in language and imagery, the bible is strongly present in these eloquent prints. Muafangejo himself denied being a political artist, commenting that the world, and not he, was political. The texts he used are not the rhetoric of the armed struggle, nor does it even seem that he took poverty and deprivation for his themes. Muafangejo emerges as root and branch an African Anglican Christian, and perhaps someone who felt morally obliged to use his education to convey the eternal Word of God.

In a print recording the bombing of an Anglican seminary, he challenges his fellow-believers. "If we are truly Christian faithy, we must give 10 per cent of our properties to bishop when he will be ready for rebuild". Reading this, one has a strong sense of Muafangejo as belonging above all to a beautiful congregation. "Father hear our prayers . . . hope and be strong, peaceful." So runs the message with the picture of Archbishop Desmond Tutu's enthronement. Christ on the crucifix is half black and half white and the congregation is both black and white.

Is this an image of a goal to be striven for by politicians and activists? Or did Muafangejo's vision draw its force from the traditional teaching that Christians must endure oppression, their lot in this black and white world, and console themselves by longing for the next world where all men will be brothers? For anyone who feels gloomy about the dismal state of explicitly religious art in this country, I recommend this exhibition. Here is art used as it was five centuries ago, stamped with the urgent eloquence of faith.

★

Another artist who concentrated exclusively on images of humanity was Ernst Barlach, the German expressionist who "enjoys a higher official status than any other German artist." I quote from the catalogue of the interesting exhibition at the Goethe Institute (50 Princes Gate, London SW7 Tel 581-3344) until 15th November, *Ernst Barlach: The Misery and Grandeur of the Human Condition*. This striking show of lithograph and woodcuts from the 1920s and '30s is a good introduction to the powerful if rather limited aims, of this artist whom the Nazis condemned as "degenerate".

Patricia Morison

Figaro's Wedding

COLISEUM

Ten weeks into the season and English National Opera has unveiled its first new production of 1991-92. The company's nod towards That Bicentenary is a staging of *Le nozze di Figaro*, produced by Graham Vick with designs by Richard Hudson, and sung in a specially commissioned translation by Jeremy Sams. So *Figaro's Wedding* it has become – not only a literal version of the title but an accurate one, for the opera concerns not Figaro's marriage but his wedding, while the marriage that is very much under scrutiny is the Count's.

It is a wonderfully stylish, intelligent show: gorgeous to look at, much more than adequately sung, and a verbal delight. Sams' ear for rhyme and metre is faultless, his ability to fit the most toothsome image effortlessly into recitative or aria inexhaustible. "That bastard Figaro", thunders Bartolo in his first-act aria; "What's this, the Spanish Inquisition?" demands Figaro in the third, who is later warned: "Fight with the big boys and they're certain to beat you". It is all beautifully done, never overdone; the natural shapes of the lines, their inner stresses and rhythms, are always respected. Above all it is wonderfully funny.

With a steady supply of laughs assured, Vick has been able to concentrate upon teasing out the themes, and to ensure that the production works logically and economically from moment to moment. Costumes are faithfully 18th-century, and Hudson has supplied simple, spare backdrops in primary poster colours. The space expands act by act until the fourth is played in a deep, velvety outdoors of emerald green and midnight blue, strewn with a random litter of furniture that includes Figaro's bed from the opening of the opera, and permeated with the nocturnal sounds of crickets, barking dogs and the cry of a vixen.

There is a minimum of extraneous business and no contrived slapstick, just a lucid concentration upon placing the characters precisely and meaningfully in each scene. The breakdown of the Almavivas' marriage is at the core; this is no mock weighty counterpart to the jovial sparring of Figaro and Susanna but a partnership in serious disrepair, whose cracks are only temporarily sealed by the redemptions of the final scene. Around the troubles of that couple – physically overbearing Count, steely, uncompromising Countess – the others orbit and sometimes collide.

The discipline and the tight focus on every character pay dividends in all the performances, from John Graham Hall's ridiculously camp Basilio (deprived of his Act 4 aria) and Sally Harrison's affecting Barbarina, through Eiddwhen Harrhy's Marcellina (most authoritative in her final-act turn) and the virtuoso patter of Donald Adams's Bartolo, to the protagonists.

On Wednesday Christine Botes sang Cherubino as a late replacement; she was due to take over the role from the flu-ridden Elizabeth McCormack later in the run, but offered a gangling, nicely awkward youth, still coming to terms with his sexuality. Anthony Michaels-Moore's Count and Bryn Terfel's Figaro are large, dominating figures, both with a jealous temper barely kept in check. Michaels-Moore is less the suave charmer than the sexual bully, and delivers his arias with a powerful swagger, while Terfel's power resides properly in his quick wits and his verbal dexterity; he delivers Sams' lines, relishing their conceits, with more panache than anyone.

Bryn Terfel: panache

Alastair Muir

Cathryn Pope's Susanna began awkwardly but gained steadily in authority, and acquired a dry, carefully tended wit. She is much less the manipulator than convention usually provides, and very much the inferior of Joan Rodger's Countess, who is perhaps the most powerful figure of all in this production, not just through her limpid, unfailingly elegant singing ("Dove sono", so elegantly decorated, was unquestionably the highpoint of the evening), but in her complete emotional control and fierce determination to rescue her marriage as best she can. It is she who realises that the reconciliations of the final scene are only a temporary truce; she has won a battle but not the war.

Paul Daniel is the conductor, showing less aggression than in his *Don Giovanni* for Opera North earlier in the year, but still swift and often rather anonymous; most of the time one hardly noticed he was there, which may be a compliment of sorts, but a rather back-handed one. In this context of this *Figaro*, though, it is more than acceptable; every component, musical and dramatic, has its place and contributes to the memorable effect of the whole.

Andrew Clements

Julius Caesar

ROYAL SHAKESPEARE THEATRE, STRATFORD-UPON-AVON

Julius Caesar always seems cold and unaffecting alongside other Shakespeare plays. Coleridge found it perplexing and Johnson uninviting. To make it compelling, the director has to find a dramatic language for political debate which extends beyond rhetoric, and has to extract and refine the play's polemics on kingship, tyranny and republicanism. Stephen Pimlott's production of *Julius Caesar* at Stratford comes close to understanding the realities of the play, but loses itself in wayward, over-lavish staging.

The problem is how to make the play's arguments work dramatically. In 1983 Ron Daniels used a giant video screen to broadcast the play's public, rhetorical element. Pimlott's answer is a folding post-modernist set in crimsons and blues which rightly dwarfs his actors in a larger perspective, but wrongly dissipates the attention away from the play's real action, its political debate.

At first, that debate between Republicanism with its justification of tyrannicide, and a Divine Right theory may seem to have little to offer in 1991. If the first audience in 1599 saw *Julius Caesar* as an investigation into the scope and rights of people and monarch, the 1991 audience, in light of the Western European culture of federalism and the Eastern European ethic of separatism, should respond to the play's thinking about the morality involved in political conduct.

Shakespeare keeps his Romans at arm's length, treating them as players in a predetermined historical pattern, much given to extemporised *gravitas*. The current theatre favours emotionally rather than intellectually sympathetic characters, so Pimlott tries to make his Romans accessible by focusing on the four principals. But it is really Brutus's tragedy: he has a pagan, rationalist conscience trapped in a Roman environment.

Jonathan Hyde, as Brutus, brings out the tensions, and it is his relationship with David Bradley's superbly cast Cassius, sculpted of pure purpose, which carries the production from their first circumspect plotting to their stern farewell on the battlefield. If Owen Teale's muscular Mark Antony were less boorish, he might qualify as the cynical manipulator he really was, and if Robert Stephens' Caesar were less tensely imperious, the argument about his death might make emotional as well as intellectual sense. Bernard Gallagher plays an eloquent and energetic Casca; the other conspirators are all portrayed as decent republicans acting in their country's best interest.

The speeches at Caesar's death are both well-orchestrated, and the brawling, fickle populus a feather for each wind that blows. These are the most effective scenes of the evening, because they rely solely on the arguments presented in the verse.

Unfortunately, the production offers no view on the legitimacy of Brutus's conduct, or even on the probity of his motives. In the republican sentiments of the *Discourses*, Machiavelli delivers this fundamental truth: "Men do not know how to be either wholly good or wholly bad but choose a middle way." He knew that ultimate values are often mutually incompatible, and that political decisions operate at the level of *realpolitik*. In *Julius Caesar*, Cassius knows this, but Brutus does not. To know the worst is not to be liberated from its consequences, but it is still preferable to innocence.

Andrew St George

Berio and others

ROYAL FESTIVAL HALL

The outcome of the South Bank's new residency scheme, due to start in 1992/3, may not be what was expected. As the resident orchestra, the London Philharmonic will be assured of 50 concerts a year; but the Philharmonia, its most vociferous rival for the position, will be getting a minimum of 40 and presumably not much less visibility before the public.

A European dimension has come to bear on this local issue. Earlier in the year the Philharmonia announced a novel residency of its own at the Théâtre du Châtelet in Paris, where it will enjoy the sort of working conditions unknown to London orchestras in the past. The South Bank will be a beneficiary and could ironically find itself with two sources for the adventurous and well-prepared programmes that were originally the aim of the sole residency scheme.

In the past few days both orchestras have been flexing their muscles. On Wednesday the Philharmonia offered an imaginative concert devoted to the Italian composer Luciano Berio – mostly his arrangements of music by Brahms and Mahler (Berio has kept up a symbiotic relationship with past masters), but also a performance of his new work *Continuo* for a huge orchestra.

Berio himself describes the piece in architectural terms: "an airy yet solid construction . . . a non-permanent building". But to a first-time listener other analogies suggest themselves: a leopard in slow motion perhaps, with grace and languour of movement and yet whose blood vessels hold an unceasing rush of energy. For there is a bubbling activity in this music, however slow the overall pace, and its sound-world seems to be made up of countless little restless organisms. It is Berio at his most evocative.

In the adaptation of Brahms' Clarinet Sonata, Op.120 No.1, Michael Collins was the excellent soloist, while Thomas Hampson sang with his customary strength and verbal clarity in the two sets of early Mahler songs. The composer had so much to go on here for his orchestrations, not least in Mahler's own similar *Des Knaben Wunderhorn* settings, that he could hardly fail to capture the right Mahlerian atmosphere. But sadly even Hampson was sometimes lost from view as a result of heavy-handed work on the part of Berio the conductor.

★

The night before, the concert by the London Philharmonic may not have ventured down such esoteric paths, but it was still far from the crowded Austro-German highway.

The Four Legends on the *Lemminkäinen* story by Sibelius are not often heard together in concert, and the orchestra's Music Director, Franz Welser-Möst, will probably not have been the first candidate in mind to deliver them. But he did so with a fine sense of drama and atmosphere that made the pieces seem, if not cumulatively the equal of a symphony, at least strong in their own right. One sensed the orchestra fully exercised by the music-making, and the performance set a few sparks flying.

If rivalry over residency status means that orchestras strive to raise their standards and the quality of their programmes, then it can only be to the audience's benefit.

Richard Fairman

Mozart in 1786

BARBICAN HALL

The English Chamber Orchestra's chronological "Mozart 200" series is now well into its final stretch, and on Wednesday they reached 1786. Just at the start, they sounded a little tired: the Overture to *The Marriage of Figaro* – or as we ought to start calling it, "Figaro's Wedding" – was quick but soft-edged. Bright semi-quaver runs were self-effacing instead, and the *sforzando* comic jabs neither sharp nor gleeful enough.

From the C major piano concerto, K.503, everything went better. At the keyboard, András Schiff's touch was immaculate, his address thoughtful and intense; the conductor Jeffrey Tate was as usual a sensitive collaborator. Between them they seemed to have agreed upon a strong and sober reading of the piece, never forgetting the fact that this is one of Mozart's trumpets-and-drums concerti.

Schiff did allow himself a cadenza that slipped briefly into *Figaro*, but he delivered the Andante with firm seriousness – and very forward tone: in fact the piano-sound predominated in the whole performance, just occasionally to the loss of orchestral voices.

As for the final Rondo, which dear old Girdlestone thought "so uninspired" (as the programme-book reminded us), Schiff in effect retorted, "No, really, this is a *very serious* piece!" I think a better riposte would be "No, hear how jovial and buoyant it is!" – but that's a matter of taste, and Schiff and Tate put their own dignified case with clean conviction. There continued to be places that made one think how much easier a *rapport* with Mozart's orchestra would be for a fortepiano, instead of the hefty modern pianoforte.

The young mezzo Cecilia Bartoli came to sing only the K.505 *scena* "Ch'io mi scordi di te". It would have seemed too little had she not invested it with such artful depths – in the most natural-seeming way. She is a new star, and she fulfilled the keenest expectations. The voice wields a enviable range of dramatic colour, which she used here to conjure up a whole character from this concert aria alone, the better to project every line with its own expressive, unforced sense.

The music seemed to have been waiting for her to come along. So did Schiff's piano (for K.505 is the disguised love-duet that Mozart wrote for himself at the keyboard and Nancy Storace's soprano): he melted beautifully, and became a gallant, gentle partner.

In Tate's delicate but searching account of the "Prague" Symphony, K.504, which ended the concert, there were enough fresh, musicianly touches to keep the most jaded ear alert.

Perhaps his final Presto came too near *prestissimo* for the comfort of his players: they sounded hassled, too anxious about just keeping up to strike sparks off their individual phrases. Still, Mozart's counterpoint tingled with rare clarity.

David Murray

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

The Mozart bicentenary has had so much attention this year that Prokofiev - born 100 years ago - has lost out in the anniversary stakes. But some cities are paying belated tribute. The biggest celebration takes place over the next month in London, in a Prokofiev Festival presided over by Mstislav Rostropovich, who knew the composer personally and for whom the Sinfonia Concertante was written.

The festival opens tomorrow at the Barbican, with a series of talks and discussions involving Rostropovich and Prokofiev's son Oleg. On Sunday at the Festival Hall, Rostropovich conducts the London Symphony Orchestra and children's chorus, with Sergey Leiferkus, in the epic cantata Seven They Are Seven and the concert version of film music for Ivan the Terrible. Over the following four weeks, Rostropovich will conduct the LSO in all seven symphonies, plus the piano and violin concertos with distinguished soloists. On Dec 1, he will also play the Sinfonia Concertante and the world premiere of Fugue for solo cello. There will be chamber music concerts (beginning on Mon with a programme including the Cello Sonata played by Rostropovich) and a recital of songs by Elisabeth Soderstrom (Nov 12).

The festival's operatic content consists of a new production of Prokofiev's seventh opera, Betrothal in a Monastery (The Duenna, after Sheridan), at the Guildhall School of Music and Drama. Rostropovich will conduct the first three performances (Nov 11, 13, 15). There will also be screenings of films for which Prokofiev wrote the soundtrack (071-638 8891).

Paris pays tribute to Prokofiev this month with Andrei Serban's production of The Fiery Angel, which receives eight performances in the original French at the Opera Bastille starting on Wednesday. Lawrence Foster conducts, and the cast is led by Marilyn Zschau as Renata and Philippe Rouillon as Ruprecht. Chicago's Lyric Opera is also staging one of Prokofiev's rare opera's this month. Its English-language production of The Gambler opens on November 9.

EXHIBITIONS GUIDE

BERLIN

Brücke Museum Karl Schmidt-Rottluff (1884-1976): a comprehensive retrospective of watercolours by the German expressionist, with 140 works from all periods of his creative life, many of them being shown in public for the first time. Ends Feb 23. Closed Mon

FRANKFURT

Städel Velasquez and Goya: portraits of Philip IV and Charles III, two of the greatest masterpieces from the Prado. Ends Jan 19. Also the Städel Moderns 1906-37: paintings dubbed degenerate by the Nazis, including work by Beckmann, Chagall, Gauguin, Klee, Kokoschka and Matisse. Ends Jan 12. Daily

LONDON

Barbican Japan and Britain: an aesthetic dialogue 1850-1930, with works by Whistler, Rennie Mackintosh and others who contributed to the exchange of influences. Ends Jan 12. Daily

Hayward Gallery Toulouse-Lautrec: the most comprehensive exhibition of his work ever held in UK. Ends Jan 19. Daily

National Gallery The Queen's Pictures: nearly 100 paintings tracing the growth of the royal collection over 300 years. Ends Jan 19. Daily

Tate Gallery Gerhard Richter (b1932): the first major survey in Britain of one of Germany's most eminent living painters. Using photographic images chosen specifically for their everyday banality, Richter shows the potential of painting to offer an alternative reality. Also Anthony Caro (b1924): new and recent work by the British sculptor. Plus Turner's Rivers of Europe. Ends Jan 26. Daily

MADRID

Museo Nacional Centro de Arte Reina Sofia André Breton (1896-1966): wide-ranging exhibition recreating the aesthetic world of one of the leading theorists of Surrealism. Ends Nov 30. Closed Tues

Museo del Prado Jusepe de Ribera: retrospective, drawn from the Prado's own collection, of the 17th century painter whose Spanish realism was softened by contact with the Carracci, Velazquez and the Venetians. Ends Dec 29. Closed Mon

MUNICH

Villa Stück Wolfgang von Wersin (1882-1976): more than 200 works, including porcelain, glass and ceramics, by the artist who made an important contribution to 20th century German industrial design. Ends Dec 8. Closed Mon

NEW YORK

Metropolitan Museum of Art American Watercolours: 150 masterpieces from the museum's own collection. Ends Dec 10. Also a major Seurat exhibition and another devoted to his neo-impressionist followers. Ends Jan 12. Also French 19th century drawings: 30 recent acquisitions. Ends Dec 1. Also Renaissance tapestries and armour from Flanders, Germany and Italy, on loan from the Patrimonio Nacional Madrid. Ends Jan 5. Ends June 92. Closed Mon

PARIS

Galerie d'Art St Honoré Flemish landscapes of the 16th and 17th centuries: from the earthiness of Peter Brueghel the Younger's country life scenes to the visionary mountain landscapes by Josse de Momper the Younger. Ends Dec 20. Closed Sat and Sun (267 rue St Honore)

Galerie Michele Heyraud Terry Haass: geometric volumes in plexiglass, which enchant with their purity, their reflections and prisms. Ends Nov 30. Closed Sun and Mon (79 rue Quincampoix, next to Centre Pompidou)

Grand Palais From Watteau to David: Les Amours des Dieux. 70 works from the school of 18th century painting, in which mythological themes offer a pretext for glorifying feminine nudity with pleasing sensuality. Ends Jan 6. Closed Tues, late closing Wed

Grand Palais Géricault: a retrospective marking the 200th anniversary of artist's birth. Géricault replaces David's cold neo-classical style with a romantic vision of prancing horses, gold and scarlet uniforms and dramatic subject matter. Ends Jan 6. Closed Tues, late closing Wed

Grand Palais A Golden Age of Decorative Art: 350 works from the period 1814 to 1848, much of it commissioned by the Bourbon monarchy. The style is technically perfect but heavy, with overwhelming decorations. Ends Dec 30. Closed Tues, late closing Wed

Musée des Arts Decoratifs Dubuffet: the artist's personal collection of his own work. Ends March 29. Closed Mon and Tues

Musée de l'Orangerie des Tuileries Derain: more than 60 works by one of the original Fauves, focussing on his early years and including a recording of the artist describing his formative influences. Ends Jan 20. Closed Tues

Musée Picasso Picasso: 100 works from the years 1893-1905. Ends Nov 25. Closed Tues, late closing Wed

Musée d'Orsay Munch and France: the interaction between Munch and French art resulting from his visits to Paris between 1885 and 1908. Ends Jan 5. Closed Mon, late closing Thurs

Palais Garnier The Art of Ballet in Russia: photographs, drawings and costumes from St Petersburg's museum of theatre and music, evoking two centuries of mutual influence in the French and Russian world of ballet. Ends Dec 1. Daily, except opera matinee days and exceptional events

ROME

Palazzo Ruspoli Lucian Freud (b1922): first major Italian showing of one of Britain's most distinguished living artists, giving a vivid idea of how the painter's style has evolved - from the meticulous, static, almost caricatural early portraits, to the baroque flourishes of the later, more relaxed self-portraits and nudes. The sense of unease evoked in much of his work goes back to his German roots (he was born in Berlin, the nephew of Sigmund Freud), and puts him squarely in the Grosz and Otto Dix tradition. He also has close affinities with Dürer in his exquisite botanical drawings. Ends Nov 17. Daily

Villa Medici Matisse: Themes and Variations. Nearly 100 works, including paintings, sculpture, collages and tapestries, lent by the Henri Matisse Museum in Nice. The title reflects an attempt to show how Matisse explored his favourite themes (female nudes and faces, still-lifes of fruit and vegetables) in different techniques, from charcoal sketches to oil paintings and sculpture. The exhibition includes photographs and films of the artist at work. Ends Dec 29. Closed Mon

VIENNA

Künstlerhaus From Eisenstein to Tarkovsky: paintings and drawings by 11 film directors from Russia and Ukraine, showing how they used painting to express ideas which the Communists would have banned on film. Also From the Revolution to Perestroika: Soviet Art 1906-90 from the Ludwig Collection in Cologne. Ends Jan 6. Daily

WASHINGTON

Hirshhorn Museum and Sculpture Garden Saint Clair Cemin: first solo US exhibition by the Brazilian-born artist, including sculpture, furniture and popular culture items made of bronze, marble, redwood and steel. Ends Jan 19. Also Alfredo Jaar, the Chilean-born artist whose work expresses social concerns via a fusion of sculpture and photography. Ends March 29. Daily

National Gallery of Art Albert Bierstadt: Art and Enterprise. The most comprehensive collection of work ever assembled of the epic American landscape painter of the 19th century. Ends Feb 17. Also Circa 1492: Art in the Age of Exploration, with work by artists as diverse as Leonardo da Vinci, Dürer, Shen Zhou, Islamic scribes and bronzecasters of Benin. Ends Jan 12. Daily

ZURICH

Kunsthaus Visionary Switzerland: From Niklaus von Flüe to Martin Disler. An expression of the Swiss creative identity in art, covering several centuries and including work by artists as diverse as Adolphe Appia, the Giacomettis, Jean Tinguely and Ferdinand Hodler. Ends Jan 26. Closed Mon

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Lamont tours the horizon

IF ONE has little new to say on anything, the best approach is to say something about a great many things. This, at least, was Mr Lamont's solution at the Mansion House, where – apart from drawing lessons from the BCCI collapse – he applauded the UK's experience in the exchange rate mechanism, the recovery in the economy, the full-funding rule, the Treasury's approach to the BT share offer, progress in the European Community's negotiations on economic and monetary union; and the revolutionary changes in eastern Europe. It is not just that the chancellor is complacent, but also that he might as well commend what he cannot alter.

Mr Lamont inherited ERM membership from his predecessor, his boss then and now. He also inherited the aftermath of the Lawson boom and his predecessor's unwillingness, or inability, to bring the needed recession forward in time. Consequently, he inherited an economic cycle irrevocably out of synchronisation with the political one. Mr Lamont has also had little choice in his brief on Emu: to reach agreement on a treaty that pushed the evil day well into the future and did not commit the UK to join even then. It has, in short, been Mr Lamont's fate to do little. But he has done that little rather well.

The heart of monetary policy is the setting of the short-term rate of interest. That is now to be done in the light of the position of sterling in the ERM. Fortunately, as Mr Lamont observes, the growing short-term credibility of the pound has allowed a 4½ percentage-point reduction in base rates and Britain's lowest interest rate differential with Germany for a decade.

Improving prospects

Unfortunately, the price has been a deep recession from which the economy is very slowly emerging. The chancellor may prove right to extoll the improving prospects, even though measures of confidence are still the principal swallow to announce an economic summer. He is too complacent, however, on the convergence of inflation with levels in the European Community (since the headline rate, as he knows very well, flatters to deceive) and on labour costs (where pay settlements are still twice as high as they will need to be). If the public now feels entitled to share his complacency, then the chancellor must share the blame for the consequences.

Narrow bands

Given the central role of the ERM in UK monetary policy, the only important announcement the chancellor could have made would have been a move to narrow bands. He presumably concluded that such a shift would have gained him nothing, while increasing his risks. He could also have modified the funding rule, but did not. The chancellor dismisses the present very low growth of broad money as being of little importance. One hopes he proves right. The immediate precedent – Nigel Lawson's views between 1986 and 1988 – is not altogether encouraging.

Nevertheless, funding policy is a marginal matter, as is the suggested issue of 3-year ecu notes. The central issue is the role to be played by the UK in the EC's monetary future. On this the government's stance is self-defeating. For the UK to remain outside Emu would probably not be the disaster, either for the economy or even for the City, that many fear. What is certainly true, however, is that to be in an increasingly rigid ERM, but not in Emu, is to bear the costs of the link to Germany without the benefit of the German rate of interest. Having made the decision to enter the ERM last year, it makes little sense for the UK to pretend it might stay outside Emu. It should not and, when the time comes, it will not.

One can already envisage a future when the chancellor has even less to offer on monetary policy than yesterday. The cynosure of all eyes will be the governor of the Bank of England, speaking as an influential member of the Governing Council of the European Central Bank. Judged by yesterday's Bundesbank-like words from the governor of the Bank of England, on the need for "stability of prices and stability of policy", the Old Lady of Threadneedle Street is already practising for its future role.

The sheep and the goats

THE RIGHT of refugees to political asylum has become a central political issue in Germany, where the number of applications has lately been running at 30,000 a month (60 per cent of those filed in the whole of the EC). It need not be one in Britain, where the rate appears to have peaked at 4,442 in April, falling back to 2,947 in September (though that is still seven times the 1988 level).

What is worrying in both countries is the excessively long time it takes – sometimes as much as five years – to decide whether applicants are bona fide refugees or not. This subjects successful applicants to prolonged and unnecessary stress. It also enables unsuccessful ones to evade immigration controls – often permanently, since the longer they have been in the country the more difficult it proves in practice to send them back. Many, without winning legal acceptance as refugees, are granted "exceptional leave to remain" on humanitarian grounds.

These are not artful dodgers, but people whose valid reasons to fear returning home do not quite amount to the "well-founded fear of being persecuted for reasons of race, religion, nationality, membership of a particular social group or political opinion" which defines a refugee under the 1951 Geneva Convention.

Asylum bill

Mr Kenneth Baker, Britain's home secretary, will today publish his bill "to enable applications for asylum in the United Kingdom to be dealt with quickly and effectively", promised in the Queen's Speech yesterday. The stated objective is laudable and enjoys all-party support. But Mr Baker is suspected of angling for an anti-immigrant vote. He did, after all, choose to announce his bill at last month's Conservative party conference, where he accused his Labour opposite number of "attempting to pander to ethnic minorities"; and there is an election next year. The Labour party, however, is ill placed to cast stones on this score, having itself pursued a highly-restrictive immigration policy both in and out of office since the 1960s.

As far as possible the immigration and asylum issues should be kept separate – which is what the bill, at least ostensibly, is intended to do. It does not include Mr Baker's objectionable proposal, which is to make the UK Immigrant Advisory Service a monopoly supplier of legal aid to asylum applicants. UKIAS itself is rightly resisting this, and Mr Baker is resorting to methods outside the legislative process (the time-honoured combination of bribery and threat) in an attempt to bring it into line.

Fingerprint provisions

The bill does include a proposal to fingerprint applicants with a view to weeding out multiple applications to different EC member states. That is offensive to civil libertarians but can be justified, at least in cases where applicants arrive without legal documents. It also includes a variety of procedures, some more summary than others. These should be scrutinised carefully: no applicant should be excluded without at least one opportunity to explain his circumstances directly to the person taking the decision. But ultimately the bill should be judged on whether it provides sufficient resources, especially in the form of suitably trained personnel, to overcome delays which in most cases are of bureaucratic rather than strictly legal origin. France, which receives 20 to 25 per cent of all asylum applications in the EC, has shown in recent months that increased resources can speed up the process without sacrificing the applicants' basic rights.

The British government accepts that this problem is a European one rather than a purely national one – as is shown by Mr Baker's emphasis on avoiding multiple applications to different EC members. That being so, it is unlikely to be solved until member states adopt common criteria for deciding who is a refugee and who is not. The Commission has drawn up proposals on the subject, and the Dutch presidency is expected to table a paper for consideration at the Maastricht summit. It will not be the least important matter on that crowded agenda.

Once again, the outcome of the whole Uruguay Round of the Gatt hinges on agriculture, says **William Dullforce**

The final showdown

The fate of one of the most ambitious and difficult international economic negotiations ever undertaken will be decided this month. The door is closing on officials from more than 100 countries who have been trying for five years to reach agreements that would extend free trade and rejuvenate the global trading system.

The Uruguay Round, conducted under the auspices of the General Agreement on Tariffs and Trade (Gatt), has been reprieved once after skirting disaster at the meeting of world trade ministers last December. Now, the US, the European Community and other trading powers have agreed it would be pointless to let the talks drag on into 1992, when US politicians will be focusing on the presidential election and the Europeans on choosing their new Commission.

Political breakthroughs on all the outstanding issues have to be made in November, if the detailed trade concessions are to be negotiated and legal texts prepared before March, considered to be the latest date at which agreements can be presented to the US Congress for ratification.

It was disagreement over how to reform world farm trade that nearly scuttled the talks last December. Now, once again the outcome of the whole Gatt Round hinges on agriculture. Specifically, it depends on whether an apparent change of attitude within the EC will allow its negotiators to reach a speedy compromise with the US and other farm-exporting countries which are demanding fundamental revision of current systems of subsidy such as the EC's common agricultural policy (CAP) which pay farmers to grow high-cost surplus produce and then subsidise the export of the surpluses.

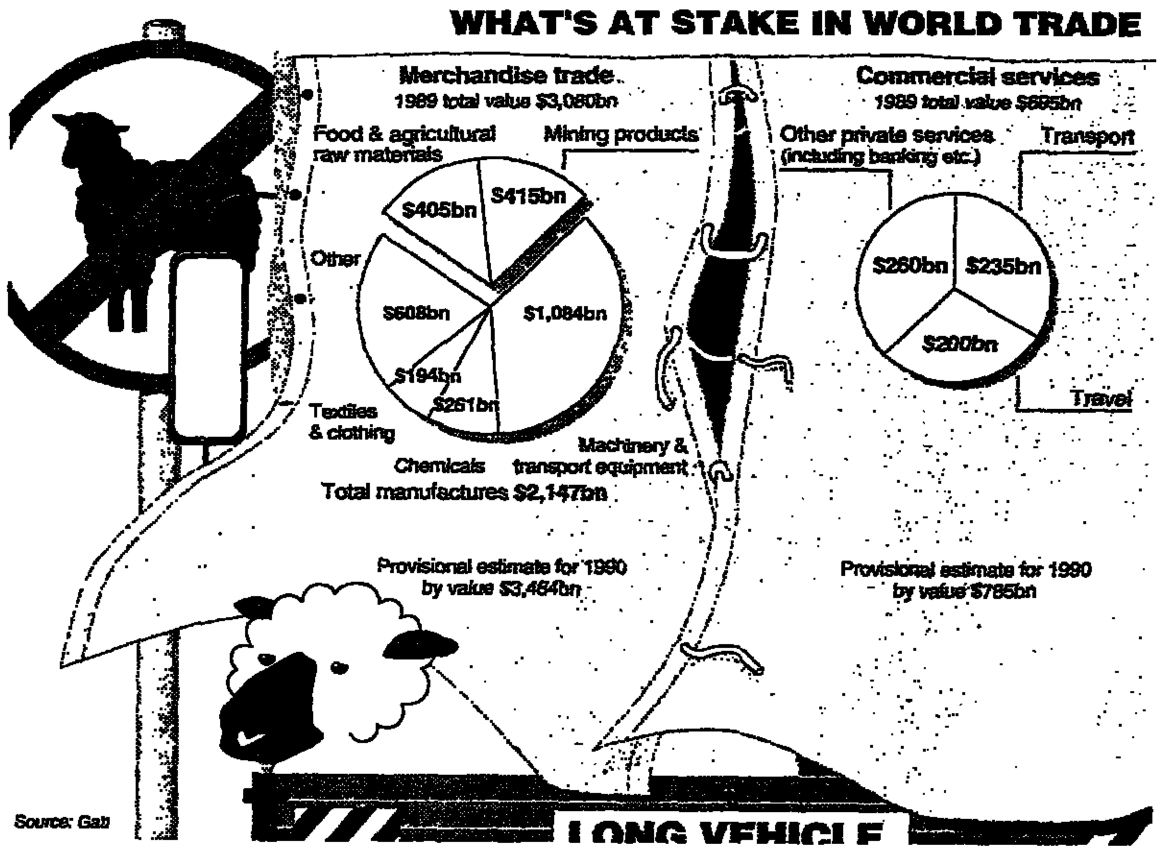
The import of the Gatt talks is not lost on angry French farmers who have been burning public buildings, blocking roads and railways, sacking trucks carrying imports of meat and fruit and harassing visiting ministers. Their actions raise crucial questions. Will President François Mitterrand and France's battered socialist government have the nerve to accept a farm deal in Gatt that would satisfy the US and its partners? If Mr Mitterrand decides that he cannot take the risk, will German Chancellor Helmut Kohl really leave him isolated.

Without a deal on agriculture the Round will grind to an ignominious halt. Too many countries will refuse to sign the other trade-liberalising and trade-expanding agreements that have been painstakingly pieced together over the past five years. The vision of a reinforced, liberal, global trading system that inspired governments to launch the Round at Punta del Este, Uruguay, in 1986 will be shattered.

At stake is a broad range of important agreements:

- A general accord on trade in services (Gats) which would help to remove barriers to exchanges of commercial services in the same way as Gatt stimulated the expansion of world trade in goods after the second world war. Services, ranging from banking and insurance to telecommunications, transport and tourism, are now the fastest-growing sector of many economies. The value of trade in services is currently well over $700bn a year. Liberalisation would give added impetus and a healthy stimulus to world economic growth.
- Agreements on intellectual property rights and on foreign investment. The former would harmonise rules for patents, trademarks and copyrights and make it more difficult to pirate the results of costly research and development programmes. The latter aims at stimulating investment flows by establishing guidelines for the trade-restricting conditions that governments impose on foreign investors; they may, for instance, demand that a foreign manufacturer buy a certain proportion of local materials or export a given percentage of his production.

WHAT'S AT STAKE IN WORLD TRADE



Source: Gatt

- The removal of what many developing countries consider to be a grave injustice at the heart of the Gatt system, the Multi-Fibre Arrangement which governs the $200bn annual trade in textiles and clothing. Originally designed to give manufacturers in the importing countries a breathing space in which to adjust to Third World competition, the MFA has confined exporters to a straitjacket of bilaterally negotiated import quotas for the past 30 years.
- Within Gatt's traditional field of action, the roughly $2,500bn-a-year trade in manufactures, the Round is poised to give a growth-stimulating injection through an overall reduction of one third in tariffs and the removal of many non-tariff barriers. Mrs Carla Hills, the US Trade Representative, recently estimated that such a reduction would be worth some $5,000bn in extra growth to the world economy over the next decade.

A revamping of Gatt itself has been a core idea in the Round. For two and a half decades after the second world war, world trade in goods was stimulated by the application of Gatt's basic most-favoured-nation (MFN) rule, under which a government has to extend trade benefits granted to one country to all other Gatt members, and by Gatt's simple concept that protection against imports should be achieved by means of non-discriminating tariffs.

However, in the 1970s governments started to clog up the Gatt system by subsidising industries threatened by competition, by making dubious and more extensive use of Gatt rules that allow countries to retaliate against alleged dumping and by striking voluntary export restraint deals. In the Round negotiators have been trying to firm up Gatt rules and to agree on improvements to its dispute settlement mechanism that would significantly increase Gatt's credibility as the watchdog of world trade.

Big trading nations would like to wrap up the Round with an agreement to convert Gatt into the fully fledged World Trade Organisation

Failure of the Round would accelerate the movement towards the formation of competing regional trading blocs

(WTO) which it was originally intended to be. In Geneva last week both the EC and the US reiterated their desire to have the results of the Round, including the Gats and the agreement on intellectual property rights, embedded in a WTO.

Set against these ambitions, the collapse of the Round would be an enormous and humiliating setback. Failure would accelerate the movement towards the formation of competing regional trading blocs based around the EC's single market, the North American Free Trade Agreement under negotiation between the US, Canada and Mexico and a Pacific grouping with Japan at its centre.

While it is impossible to quantify the loss in trade growth, there would certainly be a surge in the number of trade disputes. Anti-dumping measures, currently one of the favourite defensive weapons of both the EC and the US, would multiply. An enfeebled Gatt might well be incapable of handling disputes adequately, leading to a situation in which the powerful trading blocs would rely more and more on their own muscle to assert their will in trade matters.

Mr Richard Gephardt, the Democrat majority leader in the US Congress and the godfather of the so-called super 301 legislation, which enjoins the US administration to take unilateral, punitive action against countries considered to be trading unfairly, has already proposed that a "super super" 301 be enacted. The European Commission has plans to introduce counterpart legislation for the Community, should the Round collapse. Failure would also renew demands from some parts of EC industry for wider use of voluntary export agreements with Japan and the newly industrialised countries.

Among the most anxious to avoid a disastrous end to the Round are the east European countries. They see the reinforcement of the global trading system as a guarantee that their switch to market economies will not be thwarted by the kind of difficulties in finding outlets for their exports that they have already experienced with the EC.

What then are the chances of bringing the Round to a successful conclusion by next March? The odds improved after the quadripartite trading powers – EC, US, Japan and Canada – decided in September to make a concerted effort to fulfil the pledge by the leaders of the seven big industrialised countries at their London summit to complete the Round before the end of 1991. The "quad's" decision enabled Mr Arthur Dunkel, Gatt's director-general, to force the pace.

He gave the seven groups which have been negotiating the agreements – on agriculture, services, intellectual property rights, market access, textiles and clothing, strengthening of Gatt rules and Gatt institutions – until the end of October to finish their work and come up with draft texts. By yesterday's deadline, however, no drafts were available. Mr Dunkel has run into a mutiny. Many countries, notably some leading developing countries such as India, Brazil and Argentina, have declined to come to terms until they can see what benefits they will draw from the overall package of results. This package will be embodied in a 1,000-page "blockbuster" of draft agreements that Mr Dunkel has to present before the end of this month.

Although much work has been done to narrow differences in the past three weeks, particularly in the services group, delegations have in fact been waiting to see what will happen in agriculture. Negotiators have had texts or at least parts of texts to work on in all other areas. There is no document yet on farm reform; the assumption has been that Mr Dunkel would produce a draft agreement.

Before he can do that, he needs a signal from the protagonists. The scenario has been for the EC and the US to negotiate bilaterally; any ideas that emerged would then be put to the Cairns Group of 14 farm-exporting nations led by Australia and to Japan. If the shape of a compromise emerged, Mr Dunkel would be given the signal to go ahead.

But the timetable has slipped. Mr Guy Legras, EC director-general for agriculture, and Mr Richard Crowder, US agriculture under-secretary, only started full-scale talks in Washington on Monday and were continuing yesterday in Brussels.

Hope for a compromise rests on the "elbow room" given to Mr Legras by the German cabinet's decision, subsequently embraced by EC trade ministers, that concessions had to be made over farm subsidies, in order to secure the substantial benefits that would be available for EC industry and services companies from a successful Round. For the first time EC industrialists lobbied their governments vigorously to obtain the change of policy.

Chances of a farm deal have certainly improved since the trade ministers' meeting in December, at which the EC offered to reduce its domestic supports by 30 per cent over 10 years counting from 1986 while the US and Cairns Group held out for cuts of 90 per cent in export subsidies and 75 per cent in internal supports and border protection. The EC has since agreed to negotiate reductions in all three areas and has implicitly accepted the principle of converting all import constraints into tariffs and then progressively reducing them. It has also embarked on its own CAP reform.

The US and Cairns Group are ready to compromise on the size of the initial cuts but insist that a mechanism must be put in place which binds all governments to continue reducing trade-distorting farm subsidies. Argentina, Brazil and Uruguay – all members of the Cairns Group – are looking for some immediate opening of markets.

A farm deal is needed urgently. Even with a compromise over agriculture as a catalyst, many knotty and intricate issues have to be settled in other areas as governments try to balance the trade gains they will receive against the concessions they have to make. The only certainty is that the Round is now heading for its final showdown.

OBSERVER

Glasnost rebounds

■ The Madrid peace conference may one day make world heroes of the Israelis and Arabs taking part. But it could well have dealt the coup de grâce to the lingering international prestige of Soviet president Mikhail Gorbachev.

He has been completely eclipsed by George Bush in the Spanish capital, as witness an incident when the two of them were giving a press conference at the Soviet embassy.

How, someone asked, was the US supposed to grant aid to the Soviet Union while the union was itself falling apart? Many of its components were refusing to abide by Moscow-led economic and arms agreements, the Ukrainians being the outstanding examples.

Bush's reply was aptly non-committal: "Well, I think it's President Gorbachev's feeling that they will co-operate on economic matters."

Gorbachev – despite his failure to win Ukraine support for his economic agreement between 12 other republics and Moscow – was far firmer.

"Friday morning I spoke with the prime minister of the Ukraine, Mr Volkin," he declared. "This gave him the opportunity... to tell us and report to us that, in fact, he will sign – maybe he's already signed it since I left Moscow – but in these last several days he will have signed this."

Boom, Glasnost rebounds again!

A week later the world can see that Volkin has done no such thing and that the Ukraine says it has no intention of doing so.

Post mortem

■ The abrupt departure of Ultramar's old guard raises some rather disturbing questions for the City. The first, and most obvious, is why the top management of a company with an unimpressive record were paid such handsome sums for such a long time.

The sooner shareholders are allowed to vote on directors service contracts the better. In the meantime one can only wonder why Ultramar's big shareholders such as Morgan Grenfell, Robert Fleming and Schroders, did not take the matter into their hands sooner.

They might legitimately argue they were relying on Ultramar's non-executive directors who are well known in City boardrooms. Lord Remnant, deputy chairman since 1981, sits on boards ranging from Union Discount to the Bank of Scotland and National Provident. As a former partner of accountants Touche Ross and chairman of the family fund-management firm for nearly a decade, he should have been a reassuring name for investors.

Fund managers describe Jimmy Remnant as a delightful gentleman. However, he seems to be a throwback to days when the City was a small village and non-executive directors found their jobs through the old boy net.

Object lesson

■ Did the London Stock Exchange deserve to lose its monopoly over gathering price-sensitive information on listed companies? The exchange itself appropriately answered the question.

The Department of Trade and Industry's announcement that the monopoly would go came at 11.30 yesterday morning. The obvious beneficiaries are competitors like Reuters, which will now have the chance to get news out to the market faster, and could sell more terminals as a result. Reuters' share price was up 9p by 12 o'clock, and later showed a 24p gain at one stage.

But it wasn't through the exchange that the stock market learned the monopoly was ending. The DTI's announcement did not appear on Topic, the exchange's share price and company news service, until one minute past one: an hour and a half late.

Reuters did better. But not all that much, getting the news out at 12.22.

A bit more competition needed, perhaps?

"Two years isn't so long to wait, I suppose"

Bruised kiwis

■ Little known statistic from one of the world's rugby-mad countries. The 1991 annual report of New Zealand's Accident Compensation Corporation shows that the number of male road accident victims totalled 5,455 while the number of rugby players compensated for accidents was 7,225.

Czech off

■ Harmonisation was never going to be easy. As transport ministers and officials from 25 European countries met in Prague to thrash out ways of unifying Europe's disparate road and rail networks, their Czechoslovakian hosts were abruptly excluded from the proceedings when their translation service was cut off.

A disembodied voice told other delegates through their earphones: "We regret that the Czechoslavakian interpreters have stopped work on learning that their remuneration is different from that of the interpreters in the other booths."

Plus ca change, as the Czechs don't say.

Tunnel vision

■ June 15 1993 is the crucial date, the day the first paying passengers are due through the Channel tunnel. Only then will Eurotunnel's Sir Alastair Morton know whether the inaugural "Far Sighted Award" he received yesterday is a happy omen or a poisoned chalice.

There was still plenty of scope for him to trip over his own bootlaces, he said when accepting the trophy in London from the industry-backed Invest In Britain Campaign. But he felt more confident now he had learned how to deal with government.

The trick was to go on publicly voicing loud criticisms until eminent figures began sidling up to you and muttering: "You do realise that when you go over the top, people stop listening". That was a clear sign you were at last getting through, Morton said.

Besides the far sighted trophy for upholding the UK's long-term interests, Invest in Britain is also inaugurating the "Myopic Award" for doing the opposite. This year it goes collectively to the clearing banks "for their ability to aggravate the recession by penalising small businesses".

"If any clearing bank chairman cares to get in touch with me," Clive Stone, chairman of spectacle-makers Dollond and Aitchison which sponsors the prizes, "we'll arrange for a free eye-test."

A lot of money on the line for BT

Hugo Dixon subjects the UK telecoms group's profits to some searching comparisons

It has become something of a ritual for the tabloid press to calculate the profits of BT, the British telecommunications group, as so many pounds per second. By this measure profits will cross the £100 barrier this morning when the company publishes its results for the three months to the end of September, assuming it earns the forecast £800m-plus before tax.

Judging the company's profits by such a measure is clearly crude. It takes no account of the amount of money already invested in the business or the need to pay dividends and to finance future investment.

But these calculations do hit on an important point. Even the more sophisticated measures of profitability back up the claim that BT's profits are high. Comparisons with British industry, the level of profits enjoyed by BT at the time of privatisation and the profits of telephone companies elsewhere show that the company is making profits which are considerably above average.

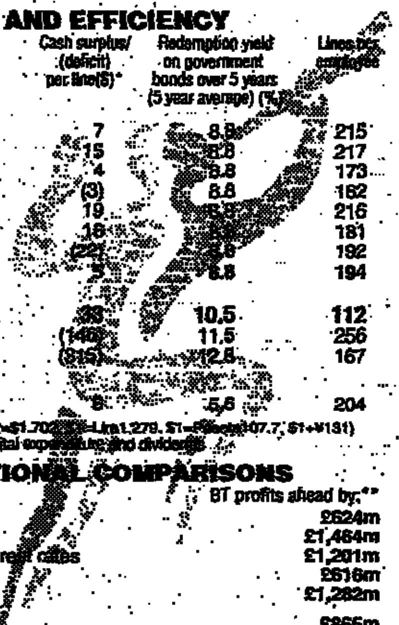
Six different yardsticks are used in the figures in the accompanying table, provided by stockbrokers Robert Fleming Securities. If BT's profits were reduced to what these measures show to be an average level, customers' bills could be cut by between £616m and £1.46bn – depending on the yardstick used.

The debate about BT's profits is putting the Office of Telecommunications, the body responsible for regulating BT's prices, on the spot. It will increase pressure on Sir Bryan Carsberg, Oftel's director-general, to explain why the company's profits have risen so high and what he plans to do about it. It may also complicate decisions for those contemplating whether to buy shares this month in the privatisation of the next tranche of BT, in which the government still owns a 48 per cent stake.

Any discussion of whether a monopoly's or a near-monopoly's profits are too high has to be based on a definition of reasonable profits. In assessing what a company's reasonable profits might be, the definition favoured by the economics profession is based on "cost of capital". This is calculated by working out what it would have to pay investors to raise funds, using a mixture of debt and equity.

The cost of capital, according to economic theory, should be equal to the company's "return on capital employed" (ROCE) – profits as a proportion of net assets. The amount of money it is earning is then enough to give shareholders a suitable return and to finance future investment. Ideally, all calculations should be done on an inflation adjusted basis.

TELEPHONE COMPANY PROFITABILITY AND EFFICIENCY



US Regional Bell Operating Companies (RBOCs)	Operating return on net property, plant & equipment (%)	Operating margin (ie before interest and tax) (%)	Net income per line ($)	Cash surplus/(deficit) per line($)*	Redemption yield on government bonds over 5 years (5 year average) (%)	Lines per employee
Ameritech	16.6	25.9	76	7	8.8	215
Bell Atlantic	13.4	21.2	75	15	8.8	217
Bell South	12.7	21.1	93	4	8.8	173
NYNEX	10.2	14.8	62	(3)	8.8	162
Pacific Telesis	13.0	22.9	73	19	[illegible]	216
Southwestern Bell	12.6	22.5	91	18	[illegible]	181
US West	13.4	24.4	95	(22)	[illegible]	192
Average	13.1	21.8	81	5	8.8	194
Europe						
BT	22.6	26.5	139	38	10.5	112
SIP	6.1	13.9	14	(146)	11.5	256
Telefonica	8.2	27.8	56	(315)	12.5	167
Japan						
NTT	7.3	11.4	36	8	5.6	204

Data for last completed financial year, translated at recent exchange rates (£=$1.702, [illegible] Lira1,279, $1=Pesetas107.7, $1=¥131)
* Cash surplus/(deficit) calculated as net income plus depreciation, less capital expenditure and dividends

BT PROFITS: NATIONAL AND INTERNATIONAL COMPARISONS

Baby Bell companies average:	BT profits ahead by:**
Operating margin	£624m
Operating return on net profit, plant and equipment	£1,464m
Operating return on net property etc. adjusted for different interest rates	£1,201m
Cash surplus per line	£616m
Net income per line	£1,282m
British industry return on capital employed	£865m
BT's return on capital employed at time of privatisation	£788m

** Based on % equivalent of BT operating profits 1990/91
Source: Robert Fleming Securities

Earlier this year, Ofwat calculated the cost of capital for the water industry at 5-6 per cent in real terms. Unfortunately, because BT stopped publishing its accounts on a current cost – inflation adjusted – basis in 1984, comparisons for the telecommunications group cannot be made in real terms.

As a result, comparisons have to rely on historic cost accounts. Nevertheless, on all six measures used for the purposes of this article, BT was shown to have profits considerably above average.

Two were domestic:

- BT's ROCE *vis-à-vis* the rest of British industry. The company's profitability on this measure for the year to the end of March was 22.6 per cent compared with 17 per cent for all large companies in 1990, as measured by the Central Statistical Office.
- BT's current 22.6 per cent ROCE as compared with the 17.5 per cent at the time it was privatised in 1984.

The other four yardsticks compared BT with other leading quoted telecommunications carriers around the world: the seven regional Bell operating companies in the US, popularly known as the "Baby Bells"; Japan's Nippon Telegraph and Telephone; Italy's Sip; and Spain's Telefonica (see table).

The four yardsticks are:

- Return on net property, plant and equipment – a measure very similar to ROCE. Because different carriers face different financing costs, this measure was adjusted for interest rate differences.
- Profit margins.
- Profit per line, defined as after-tax profits divided by the number of telephone lines served.
- Cash surplus.

The investigation then calculated how much BT's operating profits – profits before interest and tax – would have to fall to bring them to the average level of UK industry, the level at the time of privatisation and the average level of profit made by the Baby Bells.

On all measures, the amount BT's profits would have to fall to bring them to an average level was large. It ranged from £616m to £1.46bn. This is a rough measure of BT's scope to cut prices while still earning an average level of profits.

BT is withholding comment on the above comparisons until it has had a chance to analyse them. But there are two obvious answers to the charge of excessive profits.

The first is that BT needs the money for investment. The fact that the company is still generating large amounts of surplus cash – a possible total of £9bn over the next six years after investment and dividends – negates this.

The second is that the company's profits might be a reflection of a high level of efficiency. BT's efficiency was therefore compared with that of the other carriers using the standard industry measure – number of telephone lines per employee. Rather than being the most efficient company, BT was the least efficient on this measure (see table).

Given that BT's prices have been regulated since privatisation, how have the company's profits been allowed to grow to such a high level?

Part of the explanation is that it is indeed BT's prices, not its profits, that are directly regulated. The company is not allowed to increase its prices by more than a set amount each year – currently, the rate is 6.25 per cent less than inflation. The idea is that such a regime gives BT the incentive to be more efficient because it gets to keep any extra profits.

BT might therefore argue that, although it is not as efficient as the Baby Bells, it has been making strides to improve efficiency. It might say that it would be unfair to take away its higher profits now given that Oftel agreed to the current pricing regime.

Nevertheless, Oftel has always made it clear that BT could not expect to enjoy higher than average profits forever. And in any case, it seems that Oftel misjudged the scope for BT to increase its efficiency and its profits when the company's prices were last comprehensively reviewed in 1988; in other words, it set too loose a price cap.

A second reason Oftel allowed BT's profits to climb was that it did not initially regulate the company's international prices, believing that competition from Mercury would drive them down. In fact, the company's profits from international calls continued to rise.

Sir Bryan tried to remedy this earlier this year when he forced BT to cut its international prices by 10 per cent on average, included international calls in the price cap and tightened it from RPI minus 4.5 to the current RPI minus 6.25.

So how could prices and profits be reduced on the sort of scale these figures suggest?

Action will probably have to wait until Oftel's price review next year, although there would now seem to be a strong case for the Monopolies and Mergers Commission to conduct its own thorough investigation. Either way, there will be two main options:

- Tightening the price cap further. This would be consistent with previous Oftel practice but it would mean that benefits seeped through to consumers slowly.
- Forcing a one-off cut in BT's prices. Customers would then get the benefits immediately.

There may also be calls for a clawback of previous above-average profits. This would be controversial because it would imply that BT had been at fault in making very large profits. In fact, it seems the company has been merely exploiting a loose regulatory regime.

Joe Rogaly

Parish pump pomp

The pomp of Britain's parliament increases in inverse proportion to its circumstance. The less it has to offer, the more absurd do its ceremonials become. Yesterday we were given a repeat showing of the familiar puppet theatre. There was the paraphernalia of a royal summons to the Commons to attend on the House of Lords. Someone in fancy dress quaintly called black rod knocked three times; he half-pirouetted as he strode down the aisle. Grown men and women took a childish delight in their jewels, velvet, and silks. A preposterous flunkey cradled a copy of the prime minister's speech. Reverently, he handed it to the Queen to read aloud, then stumbled backwards down the stairs that lead to the throne.

Centuries of glorious English history might have flashed by the mind's eye, had the speech itself not been so inglorious.

Glory never was the intention. This was a municipal speech. It was a parish pump of a speech, a county speech, a speech for the boroughs, an address suited to a district council, a corporation speech, the speech of the ghosts of local government past and present. It was not quite down to the laying of drains, although perhaps aimed at the draining of Labour. For having very nearly demolished local government, the Conservatives are tidying up.

This could be awkward. We will have a Tory replacement for the poll tax introduced by the Tories two years ago and a Conservative rolling review of the local government boundaries imposed by a Conservative government nearly 20 years ago. Removing further education and sixth form colleges from local control means a new funding council is required. Local education authorities are to have diminished responsibilities; central government will insist on the publication of school performance tables, truancy rates and the like. Work on the regeneration of the cities will continue. There will be a Cardiff Bay barrage.

So much for local government.

Having sunk the community charge – the Thatcher flagship – the prime minister goes into battle against Labour at the head of a flotilla of Thatcherite measures, including the privatisation of coal and the railways. We need not dwell on the Citizen's Charter legislation, which sets out to protect the consumer where the market cannot, or the strengthening of regulators' powers, or the further controls on the entry of immigrants who claim political asylum, or the bill for the better regulation of charities. Important though

Everything is in place for the general election – actors, script, props

each of these proposals may be, they will not, taken either singly or collectively, move the political debate beyond the simple question: do you want more of the same, or do you want the other lot?

That is where it is likely to stick. So far as I can tell everything is now in place for the general election – actors, script, props. The prime minister, Mr John Major, is adamant that there will be no cabinet reshuffle. He argues sensibly, that it would be regarded as a panic measure and, predictably, that his cabinet is now well settled and experienced in office. The only possible variable in the drama is therefore the background, the economic scene. I will come to that in a minute.

For Mr Major has shot just about everything he has in his locker: an emollient approach to the European Community; the package outlined above; a certain grit as the recession has persisted and inflation has fallen; his own charm. None of it has yet moved the Conservatives from the 40 per cent mark in the polls. They appear to be fixed there awaiting the slow lapping of the incoming economic tide. The only political event in sight that could help them might be a triumph in the intergovernmental negotiations on political, economic and monetary union. We will know about that before Christmas.

The debate that followed the speech showed just how ratty our politicians are likely to become during this period of waiting and phoney war. The Labour leader, Mr Neil Kinnock, sunk to the occasion. His speech contained nothing new. The achingly familiar attacks on the government were only lightly leavened by a precis of Labour's policies for training and industrial recovery. Mr Kinnock has acquired an aura of self-confidence lately. He is doing his best to look like the next prime minister, and he is beginning to succeed. He is a more formidable opponent than the Tories will allow. But yesterday he reverted to the oratory of a mere leader of the opposition.

Mr Major's approach was hardly more elevated. The attack on Mr Kinnock for inconsistency was unoriginal. The carefully culled quotations, the laboriously trundled-out debating points constituted evidence that he is willing to fight – but is he able to wound? In this mucky business of politics it is Mr Major's cabinet that lacks the experience. It has no folk memory of the possibility of losing. Mr Kinnock and his shadow cabinet have eight long years of hard slog behind them. They know all the tricks, think about them all the time, and hardly ever miss one.

Everything therefore depends upon whether the recession ends in time for the Tories to reap the benefit. In his Mansion House speech last night the chancellor, Mr Norman Lamont, did his best to talk up the CBI quarterly trends survey showing a return of confidence. This was reasonable enough, but there is a great difference, in political terms, between a bottoming-out of business confidence and a growth in the feeling of ordinary people that their jobs are safe, their houses are not depreciating in value and that it is OK to spend money again.

While we wait to see when that will happen, and to what extent, Britain will be treated to further bouts of parliamentary debate better suited to the council chamber, the public bar, and the street corner. We had better pile on the ermine.

LETTERS

Competition in postal market

From Mr Tony Hockley.

Sir, Roland Rudd reports that the government has rejected a "big bang" approach to eliminating the postal letter monopoly ("Plan for competition on first-class letters", October 30), and that there will be a stage by stage process instead. The Post Office has, unsurprisingly, endorsed this plan and would like to see competitors initially limited to a 50p minimum charge.

If such a policy is to succeed in developing a contestable postal market, and in encouraging new entrants and innovation, then lessons from past deregulations must be learnt. It is vital that the cost structure of the Royal Mail's service is made visible to potential competitors. This would reveal the extent of cross-subsidies and reduce the risks of entry. The need for continuous intrusive regulation, which is a feature of the telecommunications market, would then be diminished. In this aspect, the gradual approach to deregulation requires more boldness by the government than would have been necessary if it had brought a postal big bang.

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Fax service

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'Untenable' position faced by ITV over ITN

From Mr David Plowright.

Sir, Many in television will have been moved by the spectacle of Samuel Brittan emerging tattered from the franchise auctioning imbroglio but still waving aloft the remnants of the Peacock Committee's banner. And if the arguments he advances in his article ("TV auction outcry for wrong reasons", October 28) bring him the sort of field-dressing comfort he needs, he should be allowed to enjoy it undisturbed. Serious debate can more usefully be focused on the other aspects of the Broadcasting Act which now threaten British television.

One requiring early adjustment concerns ITN. This organisation was set up by the ITV companies to provide their regular bulletins of national and international news. It is generally acknowledged to have performed with distinction. Under the new act, it has, rightly enough, been selected as the news provider for Channel 3 with effect from January 1 1993, for a nominated period of 10 years and subject to a review by the ITC around the end of 1995.

Under the act, however, ITV companies are required to reduce their collective shareholding in ITN to less than 50 per cent. Yet Channel 3 companies are required, as a condition of their licences, to broadcast "news programmes of high quality dealing with national and international matters". They are thus, by implication, being given responsibility for the standard of news coverage while being deprived of the authority to run the company effectively. On key management issues, they could be outvoted in the boardroom.

This is an untenable situation. The right of a major television organisation to run its own news service is recognised worldwide. It is incomprehensible that the government should seek to make an exception of ITN, which has a consistent record of achievement and has been lauded by the political parties for its fairness of presentation. No cogent explanation has been given for imposing the change, nor does account appear to have been taken of the fact that a news service of the calibre of BBC and ITN cannot make the profit a privatised ITN would be expected to produce.

The idea of the ITV companies being restricted to a minority interest in such a vital aspect of broadcasting as news coverage is impractical and irrational. We would press the government to allow them to continue the relationship with ITN which has worked so well in the past.

David Plowright,
chairman,
Granada Television,
Manchester

Linking aid to democracy

From Mr Harry Shutt.

Sir, Robert Mauthner's assertion (Foreign Affairs, October 23) that Britain has "made it clear" at the Commonwealth conference that its aid policies will be firmly linked to respect for democracy and human freedoms can hardly be left unchallenged.

Perhaps the best illustration of the realities of British policy on human rights and the developing world is provided by its relations with Kenya, a country where the abuse of these rights and the government's open contempt for the democratic process is quite as great as ever it was in the unreformed Soviet bloc of eastern Europe. Yet on his recent visit there Britain's foreign secretary bluntly rejected the notion that the UK should exert any pressure on the Kenyan authorities to introduce reform. Meanwhile, the defence white paper shows that the taxpayer is still being asked to maintain a British infantry battalion in Kenya – even though it only acts as a prop to this detestable regime.

It is because they are so well aware of such realities that Commonwealth leaders, many presiding over regimes with human rights records as bad as Kenya's, are perfectly happy to subscribe to vacuous declarations on the subject and to tolerate the rhetoric of Mr Major. Until western leaders are prepared to give a more practical demonstration of their resolve on this issue few of these authoritarian regimes are likely to feel threatened.

Harry Shutt,
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The transition from personnel to the boardroom

From Mr Geoffrey King.

Sir, Michael Dixon used as the basis of his article, "The importance of being expert" (October 23), a report published by my company entitled "Can personnel make the transition to a central strategic function – some preliminary findings".

I must take issue with his article because it does not represent the arguments presented in our report. In particular Dixon implies that we undervalue specialist knowledge within the personnel community. This simply is untrue. We found that some personnel professionals do not have all the attributes for senior management, but this does not mean we recommend they should be replaced by bright managers from other backgrounds, as Mike Dixon has stated.

What our findings show is that effective personnel people have many of the characteristics to enable them to make the transition from a marginal function of specialisms to a central strategic function. We argue that the function must be seen to add value by being part of the strategic decision-making process. What we have found is that the effective group we studied was quite good at this but that they lacked the ability to follow things through. We concluded that if this is generally so, companies need to be more concerned about team building within the personnel function so that it contains both strategists and implementers.

Dixon comments on another finding which describes effective people as having a certain lack of toughness. Our argument is that in many of the day-to-day aspects of personnel work, this will not present a problem, because personnel people still have to assume nurturing and caring roles. However, it could present problems when they are dealing with emotionally charged issues in the board room. Our position is that this finding should act merely as a warning signal to companies for the future construction of their personnel departments.

Geoffrey King,
managing director,
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11 King's Parade, Cambridge

Clever 'Sid'

From Mr Mori Tehrani.

Sir, I think, "Sid" is being very clever. As the privatisation of public utilities draws to an end, he has decided to vote Labour, banking on the promise of a Labour government to re-nationalise these utilities. Once re-nationalised, he will vote Conservative on the promise of a conservative government re-privatising these utilities and the promise of a another quick profit.

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FINANCIAL TIMES
Friday November 1 1991

Miyazawa watches as pub brawl erupts

Japan's new leader seems powerless to end factional fighting, writes **Robert Thomson**

THE Japanese political equivalent of the pub brawl has erupted since Mr Kiichi Miyazawa was chosen to be the country's next leader, with factions and individuals slugging it out over seats in the new cabinet and executive posts in the ruling Liberal Democratic Party.

It is a measure of Mr Miyazawa's political weakness that he has been a spectator to the bare-knuckled settling of scores among his LDP colleagues, who agree that the end of Mr Toshiki Kaifu's "clean" reign means that the taint of scandals past is no longer a bar to cabinet membership.

The factional farce, spiced with public threats and childish insults, has reinforced the popular perception that not much has changed in Japanese politics, despite the recent debate on ambitious reforms to the political system.

Having watched the daily melodrama of scorned politicians lamenting that they have "missed their turn" at the top, one newspaper simply asked, "what is the LDP doing?" and demanded that Mr Miyazawa step in and break up the fight. Another said that the new prime minister has as little authority over the party as his predecessor and dubbed him an "English-speaking Kaifu".

For Japanese who presumed that the rise of the sophisticated Mr Miyazawa would mean stronger leadership and a more sophisticated LDP, this week's events have proved disappointing. New appointments are made without regard for an individual's capability, and are intended to maintain the balance, or imbalance, among the party's five factions.

Mr Michio Watanabe, a faction head,

Spectator: Kiichi Miyazawa has been unable to impose authority

senses that he should be more of a statesman if he is to realise the ambition of becoming prime minister, so he has asked for and apparently received the post of foreign minister. This is the same Michio Watanabe who has been forced to apologise several times for racial slurs, although his sometimes thoughtless "straight-talking" is cited by supporters as his most valuable asset, apart from the factional base.

The return of the tainted is best highlighted by the choice of Mr Koko Sato, 63, as chairman of the LDP's executive council. He was given a two-year suspended prison term on charges arising from the Lockheed bribery scandal, but stayed in parliament, and returned to the LDP after his probation period ended in July 1989.

He had generally been known as Takayuki Sato, but his office staff now insists that the Chinese characters be rendered as Koko Sato, and say that the change has nothing to do with the tarnishing of his reputation – the two Chinese characters in contention are translated as "filial piety".

Had Mr Miyazawa a free hand in choosing his senior officers, both Mr Sato and Mr Watanabe would probably have missed out. But the new prime minister, to be installed formally next week, has been overshadowed by the "godfather", Mr Shin Kanemaru, the 77-year-old head of the powerful Takeshita faction.

Mr Kanemaru has a Marlon Brando mumble, an expressionless face under close-cropped hair, and an unnerving, vacant stare. His "late-night phone calls" are reported breathlessly by the Japanese media, which presumes that the godfather is a master manipulator and that his judgment, a judgment that comes in short sentences, is the last word on most issues.

The godfather is not infallible, and is clearly more at home in the smoke-filled backroom than on the international stage. During the past two years, Mr Kanemaru has left a trail of foreign policy debris: on a visit to North Korea, he promised Pyongyang financial compensation for its isolation of the last four decades; and, in Beijing, he insulted the hosts by offering himself as a "honest broker" in bringing Taiwan back to the Chinese fold.

Part of Mr Kanemaru's skill is in cultivating younger LDP politicians and in maintaining ties to construction companies and property developers, important suppliers of political contributions. He has publicly claimed the credit for choosing Mr Miyazawa and for picking the moment to dump Mr Kaifu, who was dependent on the Takeshita faction for support.

It doesn't pay to cross the godfather. A member of the Mitsuzuka faction, the second largest, recently suggested that Mr Kanemaru represents the bad, old ways of Japanese politics, and that he should retire as a sign of the party's commitment to political reform.

That comment and the more general animosity between Mr Kanemaru and the faction's head, Mr Hiroshi Mitsuzuka, who was a prime ministerial contender, *prompted the godfather to* announce that no Mitsuzuka man would take an executive post. The Mitsuzuka faction then threatened to cross the floor during the parliamentary vote on Mr Miyazawa's appointment as prime minister, and ultimately got what it wanted.

The man most likely to be the next finance minister, Mr Tsutomu Hata, 56, does have the respect of ordinary Japanese. He had been a bus company employee, selling season passes and working on a midnight run, and is still fond of describing himself as the "salaryman's politician".

More recently, he has twice served as agriculture minister, impressing the ministry's bureaucrats with his detailed knowledge of policy. Mr Hata, a member of the Takeshita faction, favours strengthening the cabinet's role, making it less of a transit lounge for politicians seeking the cachet of a cabinet post, and better equipped to serve Japan's interests.

THE LEX COLUMN

Three overboard at Ultramar

The resignation of Ultramar's chairman and two directors in response to Lasmo's hostile bid is a novel defensive ploy that deserves a place in takeover history whatever the outcome. The Ultramar option can be taken when the bidder's attack on a discredited, over-paid top management manages to obscure the central question of asset value, threatening to secure its victim quickly and cheaply. The target company admits its mistakes, but turns the tables. The vulnerable managers resign and waive part of their contractual rights in a belated gesture towards their shareholders. The revamped board is then free to make its defence on grounds of its own choosing, while basking in the glory of having swallowed its own poison pill.

So far, so good. Desperate times call for desperate measures, and Ultramar may just have bought itself a little sympathy from the institutions. The precise shape of its defence has yet to be revealed. *If it is anything like as radical* as yesterday's move, Lasmo may have a fight on its hands.

Ultramar has begun to address the issue of its governance. But remaining board members still face a difficult task in rallying support. Since yesterday's resignations were presented as voluntary, shareholders might reasonably ask why they should sanction severance payments, even where the individual managers might have hung on for much larger sums. One suspects changes in Ultramar's board will have to be more far-reaching to secure shareholder support. Judging by yesterday's share price movements, the market is awaiting a higher offer from Lasmo or a third party.

UK economy

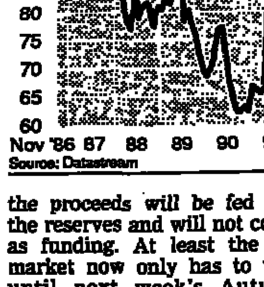
The Chancellor was predictably confident about the economy in last night's Mansion House speech. Yet there was not much, apart from the unusual Guildhall location, to make his first such appearance an occasion of any note. Perhaps that was simply because the ERM constraint has left the government with little *short-term policy choice, but* Mr Lamont seems more than ever prepared to let the recovery develop of its own accord.

Unperturbed about the slow growth of broad money, he did not even give the gilt market its hoped-for relaxation of the full-funding approach to the *Public Sector Borrowing* Requirement. There will be Ecu note sales next year, but

FT-SE Index: 2,566 (-11.1)

ICI

Share price relative to the FT-A All-Share Index



Source: Datastream

the proceeds *will be fed into* the reserves and will not count as funding. At least the gilt market now only has to wait until next week's Autumn Statement for a closer, and presumably still more depressing, idea of how much new paper it will have to absorb.

Beyond that, he waded into the debate on bank deposit insurance after the BCCI affair. His support for the notion that the insurance cost should be borne by the country of incorporation may boost the cause of those now arguing for such a rule at European level. But it is hard to see how it would work in practice. In the context of last night's speech it looked merely a small political sop to the clearing banks who are furious at having had to stump up for BCCI.

ICI

For the first time in several hectic months yesterday ICI took the stage primarily as a bellwether stock. The market now has a clear choice between the studiously dead bat of a leading industrialist and the more positive rhetorical shots of a senior politician.

The lack of any confirmation of an upturn apart, the main interest in ICI's predictably improved third quarter figures was the progress of its cost reduction programme. At the very least this looks to be on target with a little under one third of the £400m annualised *savings promised by 1994 now* achieved. The depressing thing from the company's point of view, though, is that these are needed just to stand still. ICI may be a geared recovery play but at last night's price of £11.71 you have to look into 1993, through rose tinted spectacles at that, to find value on fundamental grounds.

Some sort of bid premium is obviously justified but exactly how much only the good Lord knows. Hanson may be boxed in for the moment by the dirty tricks brigade, political timing, and the quietly winning ways of ICI's new chief operating officer, Mr Ronnie Hampel. Significantly, though, Beazer has provided an alternative preoccupation, enough to be getting on with between now and the window of opportunity which some see in the middle of next year. *At that point ICI's figures* may start to look less impressive by comparison with earlier quarters, a potential source of shareholder disquiet which from Hanson's perspective would sit nicely with Mr Major's re-election. Privately, the ICI board may be praying *for Labour.*

Thames Water

It is hard to think of a normal company which would be grateful for the opportunity to present a subdued, recession-hit interim result. But that was precisely the impression given by Thames Water yesterday when it announced pre-tax profits growth of just 4 per cent. The picture, though, is not exactly grim: it may be politically inconvenient, but Thames is well on course to exceed last year's annual profits by around 10 per cent.

The modest 7 per cent half-year dividend increase is another sign of how things have changed. A year ago, Thames confidently hoisted its pay-out by 19 per cent and helped trigger intervention by the industry regulator. One suspects the company wants to keep open the possibility of a bonus next July should the present government win the election. Doubtless the rest of the sector will be similarly tempted.

Reuters

Yesterday's 4 per cent jump in Reuters shares suggests that speedy access to the news does not always make for correct interpretation. The government's decision to end the Stock Exchange's stranglehold on corporate news announcements will not boost Reuters *revenues much, though it is a* convenient marketing boost for the company's new UK equity service. By contrast it spells trouble for the Exchange's own Topic news service, which all the unconvincing flap about regulatory problems and disorderly markets can ill conceal. Perhaps *that was why Topic* was so slow to publish the ministerial release.

Major and Kohl are still far apart

By **Quentin Peel** in Bonn

THE CHANCES of Britain and Germany bridging differences over European political union were seen as remote yesterday on the eve of a meeting between Mr John Major, the British prime minister, and chancellor Helmut Kohl.

The sensitivity of the Bonn talks means they will take place under a virtual news black-out. Only the closest advisers will be present and no press conference will be given.

Discussions will include common European defence policy, majority voting on foreign policy and social affairs, and strengthening the powers of the European Parliament.

British officials were adamant that if Mr Kohl wanted *the Community to agree a* treaty on economic and political union in six weeks, it would be on Britain's "realistic" terms.

"It will be very much a working meeting. It wouldn't be in the Prime Minister's style to go and stomp in with a blunt instrument. But he's clear that he is in a strong position. He will be making clear what the strength of (British) opinion is on key issues," one official said.

The meeting comes three days after talks on the same issues between Mr Hans-Dietrich Genscher, the German foreign minister, and Mr Douglas Hurd, his British counterpart.

"We can't be very hopeful if the Genscher-Hurd talks are anything to go by," a German official said. "We try to help Britain as far as we can, but we have limits, too."

Both sides are stressing their *efforts to find room for compro*mise in the six weeks before the EC summit in Maastricht, which is meant to achieve treaties on European political and monetary union.

Relations between Mr Kohl and Mr Major are better than between the German chancellor and Mrs Margaret Thatcher, and there is sympathy in Mr Kohl's Christian Democratic Union for Mr Major's lack of room for manoeuvre in his own Conservative Party, especially in the run up to a general election.

However, there is also real frustration in Bonn at what is seen as Britain's failure to compromise on key questions.

"We have to discuss and discuss and discuss again to find out where the fields of compromise are," said a German Foreign Office spokesman.

The most difficult issues include finding means to *strengthen the powers of the* European Parliament to provide democratic control of EC decisions, and a way of increasing the area of majority voting, above all in foreign policy and social policy questions.

British officials hope that British support for inter-governmental co-operation in fighting crime and drug-trafficking, and backing for Chancellor Kohl's vision of a "Europol" joint police force, will be a helpful gesture.

But at the heart of their differences remains a British desire to keep the maximum number of European policies subject to inter-governmental arrangements, and not the institutions of the European Community. Bonn thinks the opposite on most questions.

There was no sign of movement yesterday on the extension of majority voting to wider areas of social policy, when Mr Michael Howard, British employment minister, met Mr Horst Günther, German state secretary for labour and social affairs, in Bonn.

Toyota in single-union agreement for British car plants

By **Kevin Done** in London

TOYOTA, the Japanese car maker, has signed a single-union agreement for its UK car and engine plants which are due to open next year.

The agreement with Britain's AEU engineering union adds significantly to the fierce competitive pressures facing established car makers in Europe. Japanese vehicle producers are developing a capacity to build at least 1.2m *cars and light commercial* vehicles in Europe by the end of the decade.

They are introducing labour practices and production methods that are forcing European car makers to seek urgent reforms at existing plants.

The Toyota agreement isolates *Honda as the only one of* the three Japanese car makers developing plants in the UK not to have conceded union recognition. The AEU has a similar agreement with Nissan.

Mr Bill Morgan, AEU executive councillor, said the union would seek a meeting with Honda "as soon as possible" to discuss recognition.

Mr Bill Jordan, AEU president, and Mr Bryan Jackson, human resources director of Toyota Motor Manufacturing (UK), said the agreement was not a "no-strike deal". Mr Jordan said it was "a no-intention-to-strike deal".

The agreement includes flexible working practices and team-working and calls for disputes to be settled through consensus. The workforce will elect ten representatives to sit beside top executives on a 17-member company council, the Toyota Members Advisory *Board, which will will include* responsibility for reviewing salaries and working conditions. There will be "peer group involvement" in any disciplinary procedures.

The AEU, a leading force in the campaign for a shorter working week, has conceded a 39-hour week at the car assembly plant at Burnaston, near Derby, the engine plant at Deeside, north Wales.

The plants will be "single status". All workers will be paid a monthly salary without having to "clock in". They will receive free medical insurance and five weeks' holiday. Toyota said "job security shall be and shall remain a constant priority. The company aims to provide long-term stable employment."

The AEU won the Toyota deal in the face of stiff competition from four rival unions, the TGWU transport union, the MSF general technical union, the GMB general union and the EETPU electricians union.

Ford UK workers reject two-year deal, Page 12; Nissan profits fall 56 per cent, Page 25

Germany to cut federal subsidies by 8%

By **Christopher Parkes** in Bonn

THE GERMAN cabinet yesterday applied the brakes to runaway public spending with an agreement to cut federal subsidies next year by 8 per cent.

Demanding "strict budgetary discipline" in all sectors, Mr Theo Waigel, finance minister, told the cabinet that total financial aid and tax subsidies handed out by Bonn, state governments and local authorities, had soared this year by 24 per cent to DM99bn ($59.25bn).

About DM11bn of the DM19bn increase had been poured into the east, which is soaking up resources at an increasingly alarming rate.

The meeting was also told of mounting deficits at the Treuhand, the organisation charged with privatising east German industry. Mr Waigel said it was *expected to record a shortfall* of DM30bn next year – the maximum allowed under its constitution – after a DM25bn deficit in 1991, its first year of operations.

In an effort to relieve the pressure, the cabinet backed a proposal put forward by Mrs Birgit Breuel, the Treuhand president, that German and foreign banks should be encouraged to take over east German companies, use their expertise to rationalise them, and later sell them on their own account.

"There are some things that banks can do more easily or better than state agencies," Mr Dieter Vogel, the government spokesman told journalists later, although he stressed that the cabinet fully supported the publicly-funded Treuhand.

Mr Waigel completed his picture of the strains and costs now evident in the reconstruction of the former DDR with a report that all of this year's DM12bn budget for "upswing east" – a two-year programme for social and educational improvements – had been swallowed up by the middle of this year. Part of next year's tranche had already been allo*cated.*

This project is funded by a 7.5 per cent income tax levy which is due to be scrapped next July.

The cabinet approved the minister's suggestion that subsidies from federal coffers, which account for almost 40 per cent of total hand-outs, and which have risen by 28 per cent this year, should be cut to

Theo Waigel: demanding strict budgetary discipline

DM35.6m. It also reminded state and local governments that the coalition had agreed on a freeze on public services expenditure. In schools and hospitals, for example, increased spending on materials or services has to be offset by cuts elsewhere.

Public housing and supports for coking coal and agriculture are among the heaviest consumers of direct federal and state aids, while tax reliefs for home owners cost at least DM5bn.

According to Mr Waigel's report, almost 3,800 of the 8,000 companies under Treuhand control had been privatised by the end of September, with the purchasers guaranteeing 720,000 jobs. The sales had earned the agency almost DM14bn. After starting 1991 with 2.9m employees under its protection, this was expected to be reduced to 1.6m by the end of the year.

The opposition Social Democrats (SPD) called for an immediate change of tactics. Most of the companies privatised so far were small to medium-sized *enterprises such as hotels,* shops and cinemas. That was only the first and easiest step, said Mr Wolfgang Roth, an SPD economics spokesman.

Less than 3 per cent of the Treuhand's expenditure had been spent on the most difficult and costly process of rationalisation and restructuring of heavy industry, he claimed.

Two sides stake out positions at Mideast talks

Continued from Page 1

*invite our partners to this pro*cess to come to Israel for the first round of talks," he said.

Earlier Dr Haidar Abdul-Shafi, the chief Palestinian delegate, condemned Israel's "blind and violent occupation", demanded an immediate halt to Jewish settlements on Arab *land, and repeatedly made* clear his loyalty to the Palestine Liberation Organisation, which has been excluded from the conference at the insistence of Israel.

Quoting the 1974 "gun and olive branch" speech to the UN by Mr Yassir Arafat, the PLO *leader, he said:* "Let not the olive branch of peace fall from my hands." Israeli delegates in the palace's Hall of Columns grimaced and fidgeted as they were subjected to an unprecedented series of public rebukes.

In Ramallah in the occupied West Bank, Palestinians took *to the streets in a demonstra*tion in support of Mr al-Shafi, delighted that their cause had been given such international attention. They adorned Israeli army vehicles with olive branches as soldiers – who earlier yesterday had been firing teargas to disperse demonstrators – *smiled.*

Although Mr Shamir made no concessions, Israeli officials were hoping that his measured address would set the tone for the rest of the day, and they expressed disappointment at the Arab speeches which followed. "They were full of vituperation, *full of slander and* condescension," said Mr Binyamin Netanyahu, the Israeli deputy foreign minister.

"If you read the texts, these speeches effectively call for the dismantling of Israel."

Mrs Hanan Ashrawi, spokeswoman for the Palestinians, was similarly dismayed by Mr Shamir's speech. Accusing him of racism, she said: "It reflects the attitude and tone of an occupier and a brutalising authority and the extreme right-wing position of his government . . .He did not make a single conciliatory gesture to the Palestinians."

It was clear that each side had succeeded only in pleasing its own people. In Israel, government supporters and opposition spokesmen praised Mr Shamir's speech.

WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	16	61	Berlin	S	4	39	Caracas	C	29	84	Faro	S	20	68	Islamabad	F	25	77
Algiers	F	23	73	Biarritz	S	17	63	Casablanca	S	20	68	Florence	R	8	46	Istanbul	F	10	50
Amsterdam	F	10	50	Bombay	S	34	93	Chicago	Dr	6	43	Frankfurt	C	4	39	Jakarta	C	33	91
Athens	R	13	55	Bordeaux	C	17	63	Cologne	C	8	46	Geneva	F	10	50	Jersey	F	13	55
Bahrain	S	29	84	Boulogne	S	10	50	Copenhagen	C	6	43	Gibraltar	S	19	66	Johannesburg	F	27	81
Bangkok	F	32	90	Brussels	F	10	50	Corfu	C	17	63	Glasgow	R	7	45	Lima	C	22	72
Barcelona	F	17	63	Budapest	S	5	41	Dallas	R	5	41	Helsinki	C	4	39	Lisbon	F	19	66
Beirut	F	25	77	Buenos Aires	F	21	70	Dublin	F	8	46	Hong Kong	S	25	77	London	C	13	55
Belfast	F	7	45	Cairo	S	33	91	Dubrovnik		–	–	Innsbruck	S	7	45	Los Angeles	S	10	50
Belgrade	S	7	45	Cape Town	S	19	66	Edinburgh	R	11	52	Inverness	R	10	50	Luxembourg	Fg	5	41

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Madeira	S	22	72	Milan	F	8	46	Nicosia	F	22	72	Salzburg	S	4	39	Tenerife	S	23	73
Madrid	F	13	55	Montreal	F	7	45	Oporto	F	17	63	San Francisco	S	8	46	Tokyo	F	17	63
Majorca	S	21	70	Moscow	C	-4	25	Oslo	C	5	41	Seoul	S	18	64	Toronto	C	6	43
Malaga	S	19	66	Munich	C	1	34	Paris	F	9	48	Singapore	F	30	86	Tunis	F	19	66
Malta	F	21	70	Nairobi	F	26	79	Peking	S	15	59	Stockholm	C	6	43	Valencia	S	22	72
Manchester	C	12	54	Naples	S	17	63	Prague	S	4	39	Strasbourg	C	7	45	Venice	S	9	48
Manila	F	31	88	Nassau	F	28	82	Reykjavik	S	6	43	Sydney	F	23	73	Vienna	S	4	39
Melbourne	F	15	59	New Delhi	S	28	82	Rhodes	F	20	68	Taipei	F	25	77	Warsaw	C	-1	30
Mexico City	C	27	81	New York	C	12	54	Rio de Janeiro	C	37	98	Tangier	S	19	66	Washington	F	11	52
Miami	F	19	66	Nice	F	16	61	Rome	F	13	55	Tel Aviv	S	28	82	Zurich	C	8	46

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

RECRUITMENT

JOBS: Swiss bank's survey gives rare comparison of lower-ranked workers' money rewards

What leaner cats earn across the world

A "land in which it seemed always afternoon." Thus the poet Tennyson described the leisured home of the lotus-eaters (or, in his spelling, lotos-eaters).

The patch the Jobs column inhabits is different: a land where it seems to be always nearing 5.30 on a Tuesday evening, the deadline for each week's outpourings. That certainly makes the time between go quickly, too fast for me to be conscious of the passage of longer intervals such as years.

This week, however, something has happened to lengthen my time-scale. "Good Lord, it must be 1991 already," I thought when the mail brought a booklet from Union Bank of Switzerland, which is published only every third year.

It was nevertheless a welcome intrusion because it enables me to respond to a question frequently raised by readers dissatisfied with the pay indicators appearing in this corner of the FT – to wit, *What about the workers?*

Those who ask it complain that the figures printed here are heavily biased towards the managers and high-grade specialists constituting the fatter cats of the working world, at the neglect of the leaner masses scratching their living below. And it's a bias I cannot deny even though I am usually unable to correct it, being dependent for my data on pay surveys made by consultancies which concentrate on the said upper ranks.

Union Bank of Switzerland's exercise is in my experience a unique exception, which surely makes it worth noting. Even so, compared with the main surveys carried out on a continuous basis, it has the status of only a spot check. Hence the snags inherent in all such studies, which make it foolish to take their findings as better than a loosely approximate sketch of the real state of pay, apply to the Swiss bank's figures more so still.

What it does is to take a dozen jobs which are done pretty well everywhere, and check on the money rewards – salaries plus bonuses – of typical holders of those jobs in big cities around the globe. The latest survey covers 48 of same, and was made some six months ago. (The then prevailing exchange rates, used to convert other currencies into sterling, are listed in the table.)

In addition, the bank compares the prices of characteristic household budgets in each city, enabling it to assess what the net pay of each of the job-holders is worth in buying power. Because of technical difficulties, however, the price comparisons do not include the costs of house-purchase or rent. Anyone wanting the booklet giving the full findings should contact Union Bank's GEIC department, Bahnhofstrasse 45, 8021 Zurich, Switzerland; tel Zurich 234 6544.

My table refers to only 21 of the 48 cities, and just three of the 12 jobs. They are the manager of an industrial production department with 100-plus employees, a primary school teacher, and a secretary to a middle manager in industry. No matter where the particular post is located, its holder is the same type of person although subject to different tax rates and state benefits, which in each case are standard for the city concerned.

The people in the manager's job are technically trained as well as long experienced in the work. Aged about 40, they are married but have no children.

The primary school teachers, again married without children, are in the mid-30s. They have about 10 years' experience since qualifying, and work in the publicly financed education service.

Youngest of the lot are the secretaries, being around 25 and not married. They have been doing the work for five years or so, and are proficient in one foreign language. As may be seen, Union Bank's check showed them better off for buying power than the married teacher 10 years older in four places. They are Madrid, Singapore, Vienna, and perhaps more surprisingly Oslo, although in Copenhagen and Stockholm also the secretaries and teachers were on a par.

City	Exchange rate £1 =	Production department head Gross pay £	Production department head Net pay £	Production department head *Buying power* £	Primary school teacher Gross pay £	Primary school teacher Net pay £	Primary school teacher *Buying power* £	Secretary Gross pay £	Secretary Net pay £	Secretary *Buying power* £
New York	1.7	59,386	39,848	*40,291*	19,300	14,787	*14,951*	16,153	12,234	*12,370*
Düsseldorf	2.9	41,036	26,902	*28,865*	19,419	15,737	*16,885*	18,172	11,283	*12,106*
Toronto	2.1	34,563	23,695	*28,445*	20,785	14,431	*17,324*	12,827	9,145	*10,978*
Vienna	20.7	30,762	21,676	*23,408*	12,293	9,145	*9,876*	13,540	10,274	*11,095*
Paris	10.0	31,593	22,151	*22,860*	12,471	9,680	*9,990*	12,293	8,670	*8,947*
Geneva	2.5	36,404	25,833	*22,680*	34,444	25,714	*22,576*	21,735	16,094	*14,130*
Tokyo	247.6	37,116	29,099	*21,302*	19,004	15,678	*11,477*	13,006	11,105	*8,130*
Brussels	60.4	41,808	18,410	*21,016*	13,481	8,314	*9,491*	14,609	8,195	*9,355*
Hong Kong	14.3	18,113	15,203	*20,057*	12,530	11,105	*14,650*	7,245	6,592	*8,697*
Amsterdam	3.3	27,674	15,381	*19,745*	12,946	9,264	*11,892*	12,412	8,849	*11,359*
Singapore	3.2	19,597	13,540	*17,699*	5,760	4,276	*5,590*	6,532	4,810	*6,288*
Sydney	2.4	21,201	14,550	*17,301*	13,718	10,393	*12,358*	11,937	9,264	*11,015*
Dublin	1.1	25,536	15,500	*17,184*	13,837	10,689	*11,850*	11,521	7,542	*8,361*
Copenh'n	11.3	30,287	16,866	*15,559*	17,281	10,452	*9,642*	17,281	10,452	*9,642*
London	1.0	20,013	15,500	*15,500*	15,975	12,530	*12,530*	11,996	9,264	*9,264*
Helsinki	7.0	34,266	19,004	*14,077*	18,766	12,471	*9,238*	14,371	10,036	*7,434*
Milan	2195.0	19,360	13,659	*14,038*	11,699	8,789	*9,033*	11,165	8,373	*8,605*
Madrid	183.0	16,450	12,174	*10,928*	14,015	10,630	*9,542*	14,490	10,868	*9,756*
Stockholm	10.8	22,923	9,205	*6,963*	16,687	7,542	*5,705*	16,687	7,542	*5,705*
Lisbon	255.0	7,601	5,939	*8,904*	5,998	4,810	*7,211*	3,919	3,207	*4,808*
Oslo	11.6	16,747	9,739	*7,104*	12,471	8,076	*5,891*	14,609	9,027	*6,584*

Even so, the biggest surprise for me is the London-based production manager's low ranking compared with other European counterparts. I could understand the British manager having less buying power than the equivalents in Düsseldorf, Vienna, Paris, Geneva, and even Brussels and Amsterdam.

That would not be far out of line with the results of more regular surveys of international scope. But I would not have expected the London department chief to be poorer than those in Dublin and Copenhagen, to boot.

Still, it could well be that in the specific case of middle management in manufacturing industry, Union Bank of Switzerland's finding is more accurate than the evidence of other, larger-scale surveys I have seen. After all, those which show the Brits doing better than the Irish and Danes tend to lump industrial managers together with similar rankers in more pampered service sectors, including finance.

Michael Dixon

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Corporate Affairs Professional

North East

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- **Michael Spedding, Group Financial Controller, MAI plc** "An excellent presentation on recruiting Accountants in today's job market".
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Please note that places at the Breakfast are strictly limited.

If you wish to attend the Business Breakfast, write to Rachelle Nelson at Robert Half, Freepost, Walter House, 418 The Strand, London WC2R. Telephone: 071-836 3545.

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London Branch

Credit Analyst

The continuing expansion of NMB's established London Branch means that we are looking for an experienced Credit Analyst to join our existing team to work on all our lending propositions which would include spreading balance sheets, P&L Accounts and cashflows, full written analysis of financial information and making the appropriate approval recommendations.

You should ideally be a graduate aged between 24 and 35 with a minimum of 3 years' experience of Credit and Market Sector Analysis, and be familiar with standard loan documentation.

In return, we can offer you a highly competitive salary plus excellent fringe benefits.

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Applications in writing to:

Alastair Harris, Director of Marketing & Research
International Petroleum Exchange, International House
1 St Katharine's Way, London E1 9UN

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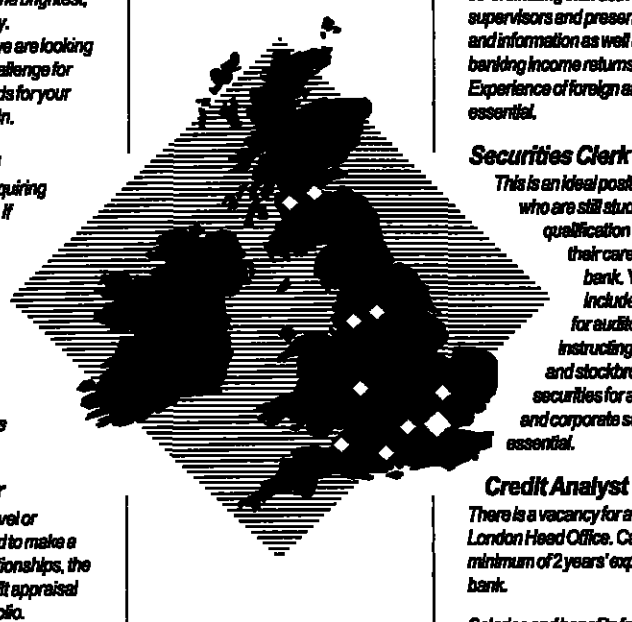

Banking Manager - Lending

This is a senior, responsible position requiring graduate or ACIB qualified candidates. If successful, you will take control of the preparation of new and existing lending propositions, the development of new business and the monitoring and servicing of our complete lending portfolio. Your experience should include securities and loan documentation and you should possess strong credit analysis skills.

Assistant Banking Manager

Candidates will need a minimum of A level or equivalent and should be ACIB qualified to make a positive contribution to our lending relationships, the development of new business and credit appraisal as well as maintaining the lending portfolio.
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Banking Manager - Administration/ Loan Control

Applicants should be ACIB qualified or equivalent.
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Leisure Industry

Midlands

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An attractive remuneration package, commensurate with experience and abilities, will be offered to the right applicant.

Please write in confidence to Dionne Hurrell
Personnel Officer, Girozentrale Vienna
68 Cornhill, London EC3V 3QE

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GZ BANK Girozentrale Vienna

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All correspondence will be forwarded directly to the client company.

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Working for George Magnus, Chief International Economist, in the Fixed Interest Division, the position requires the economist to interpret economic data and policy as well as market developments and formulate transaction-oriented strategies.

Applicants should ideally be aged 25-30, have experience of both international bond and foreign exchange markets and be able to present views confidently in a trading room environment and to clients. Foreign language skills would be advantageous.

Applications, enclosing a curriculum vitae, which will be treated in strict confidence, should be sent to:-

Anita J. Sprules,
Director,
Group Personnel,
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Counter-Party Risk Assessment — c.£50,000
An opportunity within the Risk Control Unit of a prime European bank. In respect of Derivative products generally, with an emphasis on Futures and Options, the responsibilities will require a comprehensive product knowledge and understanding of related risk, as well as the ability to liaise effectively with traders.

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Credit Analyst — c.£25,000
An international bank especially active in London is expanding the credit team and accordingly seeks an additional high calibre and experienced analyst for progressively responsible duties. Suitable candidates will offer a background of formal credit training in international banking together with further potential.

Assistant Manager—Credit — to £30,000
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For further details, please contact Frank Hoy either by telephone or in writing.

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On behalf of a major international bank we currently seek a senior individual with specialist currency options sales experience. The appointee is likely to be *aged 28-35, of graduate calibre and currently* employed at an active name in the currency options market.

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Gordon Brown

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- *Retail Franchising*
- Automotive Aftermarket
- Building Products

Your undergraduate degree will be in economics, commerce, marketing, law, engineering or a similar analytical discipline and may already be augmented with an M.B.A.

Your written and verbal expression must be outstanding and you must have competent spreadsheet and financial skills.

If you fit our requirements and have the integrity, drive and interpersonal skills to succeed in a vigorous firm, send your written application to David Archer, Managing Director.

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The Investors Chronicle, Britain's leading *stockmarket publication*, needs a

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The successful candidate will have:-

* Experience of investment analysis
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* Fluency in at least one major European language
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Write, enclosing a brief CV to: The Editor, Investors Chronicle, Greystoke Place, Fetter Lane, London EC4A 1ND.

ACCOUNTANCY COLUMN

Assessing the profitability of UK life assurance

by Richard Lapper

AFTER two years of painstaking work, the UK insurance industry appears to be no nearer to a solution to the highly technical – but exceedingly controversial – issue of how life assurance companies should account for their profits.

Everyone agrees that change is needed to the current statutory methods – under which the majority of profits are realised near the end of the life of a life assurance policy – if the UK is to come into line with the new European standards being elaborated in Brussels in the EC's Insurance Accounts Directive.

Yet despite a thoroughgoing process of consultation there appears is no agreement about the alternative.

The industry appears divided. On the one hand the majority of listed life insurance companies favour the adoption of the so-called "accruals" method, which would boost stated profits and enhance the value of their companies for shareholders.

On the other hand the UK's equally powerful mutual companies – owned by their policyholders – are opposed to change. Although the mutuals do not declare profits, they are worried about potential tax implications.

Standing in the middle – as potential arbiters of the dispute – are the country's actuarial and accountancy professionals and for the moment they appear to be tilting in favour of the mutuals.

All of which is highly frustrating for Mr Michael Lawrence, the finance director of the Prudential, the UK's biggest publicly-listed life assurance company, who has been chairing the industry committee working on the issue and who has been a arch advocate of the accruals technique. "The present method is completely unsatisfactory," says Mr Lawrence.

Under present arrangements – the so-called statutory basis – profits recognised on with-profit policies increase each year with big increases in the final year.

Shareholders receive a portion – usually about 10 per cent – of both reversionary bonuses, which are paid at the end of each year, and terminal bonuses, paid at the end of the policy term. The largest portion of profit is therefore recognised many years after the policy is written.

The bulk of administrative expenses – marketing efforts, commissions and policy costs – are incurred by the life company shortly before and shortly after the policy is sold

On the other hand, the bulk of expenses – marketing efforts, commissions and policy costs – are incurred by the life company, shortly before and shortly after the policy is sold. The financial risks associated with possible lapses by policyholders are also greatest at the beginning of the policy period.

Many life companies believe that statement of profits understates a company's financial strength because valuations do not take into account the future stream of profits contained within the life fund – the company's so-called embedded value.

Concern within the life industry has mounted for a number of reasons. First, there is pressure from the EC. The Insurance Accounts Directive, which could come into law in the UK as early as 1995, would press UK insurers to give a "true and fair" view of their accounts, a requirement from which, under the terms of the Companies Act, they are currently exempt.

Taking a "true and fair" view would involve companies more adequately reflecting the enormous hidden strength represented by their embedded value in the balance sheets in their accounts.

Second, a number of life assurance companies believe that traditional accounting methods lead them to understate the profits they obtain from conventional with-profits policies, assurance that still accounts for about 50 per cent of all business underwritten in the UK.

With many companies in the highly fragmented and over-populated UK life industry either vulnerable to takeover from continental European, United States and Australasian insurers or limited in taking full advantage of the opportunities for expansion abroad, this has become a pressing concern.

The takeover of Pearl Assurance, one of the country's biggest life offices, by Australian Mutual Provident, in 1989 triggered widespread concern.

According to Mr Paul Rutteman, of Ernst & Young, the statutory methods leave proprietary companies "liable to takeover. The AMP acquisition of Pearl was at a price thought to be too cheap because the market had not recognised the latent profits from existing business."

In response to these difficulties, in the late 1980s a number of companies, including Lloyds Abbey Life, TSB and Barclays, began to use changes in the embedded value in their life funds as a basis for measuring profit.

This involves discounting, at a risk rate of return, the profits emerging from contracts currently in force, allowing for a more balanced recognition of profit. But it does not take into account individual insurance transactions and therefore falls foul of the new European standards.

Many UK companies are either vulnerable to takeover from European, US or Australasian insurers, or limited in taking full advantage of the opportunities for expansion abroad

The new "accruals" method represents an attempt to resolve these problems. Like the embedded value technique, the accruals technique would allow companies to bring forward some of their future profits into present earnings, allowing them to more accurately match efforts and rewards. But by developing the concept of "planned profit margin", the budgeted profit that a company would expect to realise on each life assurance contract written, it would also be transaction-based and aim to present a "true and fair view".

It would also increase the transparency of life company performance. According to Mr Lawrence, "To the extent that the accounts become more transparent, we are helping to promote an efficient market."

To Mr Lawrence's consternation, the latest draft of the accruals proposals has sparked a surprisingly strong rejection from the country's actuarial and accounting professionals.

In a joint response the Institute of Actuaries, and its Edinburgh-based counterpart, the Faculty of Actuaries, said there were "too many potential pitfalls". Among their criticisms:

- The proposals focus only on the shareholders' profit and loss account and do not lead readily to true and fair accounts for an insurance undertaking as a whole.
- They will reduce consistency between companies and may increase the volatility of reported profits.
- They are not easily compatible with the EC Accounts Directive and "would take UK practice further away from that in continental Europe".
- They do not apply to mutual companies, nor do they provide information of value to policyholders and their advisers.

The two parties are now locked in stalemate. Mr Lawrence is frustrated. He dismisses the actuaries' objections as nit-picking. "To any insider you're dealing with a whole series of objections that are inherently contradictory." Another insurance executive, close to the process, laments the stalemate. "Eventually with goodwill we could reach a compromise. The problem is that there are too many people who believe that their approach represents the only true religion."

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Please send full personal and career details, including current remuneration level and daytime telephone number, in confidence to Adrian Edgell, Coopers & Lybrand Deloitte Executive Resourcing Limited, 9 Greyfriars Road, Reading, RG1 1JG, quoting reference AE848 on both envelope and letter.

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Financial Controller

Manchester

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Our client is the Regional Electricity Company for the North West of England. It has a turnover of £1.2 bn and is one of the biggest businesses in the region. It is seen as a progressive REC, and is undergoing considerable change as it restructures to focus on the profit centres of its component business streams.

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Candidates currently earning less than £40,000 pa are unlikely to have the required experience and knowledge to meet the requirements of this demanding position; the package will include a car and the usual benefits of a company of this size

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The package will include a generous base salary, relocation, company car and private medical insurance.

For further information about this position please contact Giles Daubeney in Amsterdam on 010 3120 6444 655 (Fax 010 3120 6429 005) or alternatively send your resume to him at the following address, **Robert Walters Associates, Rivierstaete, Amsteldijk 166, 1079 LH Amsterdam, Netherlands.**

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Abbey National Treasury Services has a high level of commitment to controls and you will be responsible directly to the Finance Director of this subsidiary for ensuring that internal control procedures are operating effectively. You will also be involved in establishing new systems and procedures to further enhance controls.

The position involves a significant level of contact both within the accounting function and with other areas of Abbey National Treasury Services including settlements, systems and dealers. Strong interpersonal skills are therefore essential. Keen attention to detail is also required but supported by an ability to see the broader picture.

You are likely to be educated to degree standard, preferably with an accountancy qualification and your experience will ideally have been gained within treasury in the wholesale banking sector. Ref: AB 283.

As well as excellent future prospects, these positions offer competitive salaries backed by attractive benefits including mortgage subsidy (after three month qualifying period), pension and share-ownership schemes, profit share and BUPA.

To apply, please write, quoting the appropriate reference number, to Tony Butcher, MSL Advertising, Recruitment Resources, 32 Aybrook Street, London W1M 3JL. Tel: 071-487 5000.

ABBEY NATIONAL

European Financial Accountant

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Candidates should be graduate qualified accountants with a minimum of 2 years' PQE, who can demonstrate above average intellect, excellent interpersonal skills, and accelerated career development to date.

Relocation facilities are available where appropriate. Interested applicants should forward a comprehensive curriculum vitae, to John Zafar, ACMA at Michael Page Finance, Windsor Bridge House, 1 Brocas Street, Eton, Berks. SL4 6BW.

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Interested candidates should send their CV to Peter Gerrard, Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH.

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THE QUALIFICATIONS

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Candidates must be qualified accountants (ACA, ACCA or CIMA) with a proven record of achievement in financial management, ideally acquired in a similar environment. Experience of computerised and management information systems is essential and an exposure and knowledge of purchasing and contracting practices preferred.

Personal qualities will include well developed interpersonal and leadership skills, a practical, analytical approach and the drive to make a positive contribution in a challenging environment.

Currently based in Central London, we are moving to new offices in Palmers Green, London N13 in November this year.

North London TEC welcomes applications from both men and women, members of ethnic minority groups and people with disabilities.

Please send a full CV to Lesley Watson, Personnel Officer, North London TEC, 19-20 Woburn Place, London WC1H 0LU.

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THE QUALIFICATIONS

- CIMA, ACA or MBA, probably late 20s, with direct experience of a finance function, preferably Head Office. Highly numerate and computer literate.
- Outstanding intellect with aggressive commercial approach to project orientated work. Analytical by nature, capable of delivering macro and micro financial planning.
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REVIEW OF UK SENIOR FINANCIAL APPOINTMENTS

Over 7000 senior executives, predominantly Managing Directors and Finance Directors, received the Spring 1991 issue of this series of publications. The Autumn issue is currently in production and will be available in November 1991.

Compiled by Michael Page Finance, in conjunction with the Financial Times, this Review is the only comprehensive analysis of its type. It is an essential aid to manpower planning and budgeting, the determination of recruitment personnel and salary policies, and provides an immediate, up-to-date guide to the financial recruitment market.

Its contents include the identification of salary levels and recruitment volumes within the accountancy discipline, analysed by sector, size of company, level of appointment and geography. Comparisons are provided which demonstrate trends on an ongoing basis.

Distribution is exclusively to relevant executives and is available strictly on a requested basis.

If you did not request the initial Review, but would like to consider the publication's relevance to your organisation, we will be pleased to send you a complimentary copy of the current issue.

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Group Chief Accountant

International Enterprise

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Reporting to the Group Head of Finance, the Group Chief Accountant will take on the day-to-day responsibility for the accounts of the UK intermediate companies and the consolidation of their management accounts. He or she will have responsibility for reporting to the board, and the co-ordination of all year end statutory reporting by all subsidiaries. The appointee will also be responsible for ensuring that all group companies comply with UK accounting and tax regulations.

The challenges of this role are likely to suit ambitious chartered accountants who possess around two years' post qualified experience. This is likely to have been gained in one of the larger accountancy firms who will have offered exposure to a wide variety of clients of both a domestic and international nature. Candidates who have undergone a secondment in a European country will be of particular interest to the client.

Interested candidates should send a CV together with present remuneration details, day and home telephone numbers to Anna Ponton quoting reference C0760.

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... are able to make this ... to the Society's ... please write with full CV ... details to Anne Blackburn, ... Society, Portman House, ...th, Dorset BH2 6EP.

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Recent promotions to roles elsewhere in the Group result in the need to recruit two new members to the team. Successful candidates will be high-calibre, graduate ACA's with up to three years' post-qualifying experience in audit, and are likely to have gained experience in financial services through training with a 'Big Six' firm.

They must be able to demonstrate academic and professional achievement, analytical abilities, a high level of technical competence and strong interpersonal skills. Also important is the desire to travel as, although London based, team members may spend up to 45% of their time conducting reviews in the world's major financial centres.

These are challenging roles providing a high level of exposure to senior management throughout the Group and offer ambitious young accountants excellent opportunities for career progression within a prestigious international bank.

Interested candidates should contact Janet Bullock on 071-248 3653 (081-658 8418 evenings/weekends) or write, sending a detailed CV to the address below or use our confidential fax line on 071-248 2814. All applications will be treated in the strictest confidence.

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- Negotiating on behalf of the group with business partners and professional advisors;
- Evaluation of investment/divestment opportunities using advanced risk analysis and evaluation techniques.

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The successful candidate will be a qualified accountant, ideally at assistant manager level either within the profession or commerce, aged 27-35 with 2-4 years' strong corporation tax experience. Prior exposure to the energy sector is advantageous but not *a prerequisite.*

Interested candidates should contact **Chris Nelson** on 071-831 2000 (evenings/weekends on 081-785 6545) or write to him at Michael Page Taxation, Page House, 39-41 Parker Street, London WC2B 5LH.

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Greencore plc., the Dublin based holding company for one of Ireland's largest and most successful food groups, wishes to appoint a Chief Financial Officer (CFO) and it is envisaged that the appointee, in due course, will be invited to join the Board of Directors.

Previously in state ownership, and then known as Irish Sugar plc., the Company was privatised earlier this year. 'Greencore' has a pivotal role in Irish food and agribusiness, and assuming that the proposed acquisition of Food Industries plc. is completed, the Company will have annual sales in excess of IR£400m. and will employ over 2,000 people. It plans to sustain the rapid growth it has achieved in recent years by further acquisitions in related industries principally within the EC.

Reporting to the Chief Executive Officer, the appointee will become a member of the top management team and will have a key role in the planning process, including strategy formulation.

Candidates, already at head of function level in a 'plc' environment, should be accountants with at least eight years of relevant post qualifying experience including significant exposure to acquisitions and corporate finance, as well as a proven record of success in financial control and systems management.

The compensation package will be negotiated and will include salary, incentive plan, stock options, executive car and other *benefits appropriate to this high* profile and important position.

Please write - in total confidence - to Barry Herriott at MSL Group Limited, Newmount House, 22-24, Lower Mount Street, Dublin 2. Nothing will be disclosed without the express permission of candidates.

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* Merging two accounting functions.
* Introducing a common accounting system, into the future organisation.
* *Establish accounting controls.*
* Co-ordinating the responsibilities of the various divisions within the company.

Successful candidates should be qualified accountants with industrial experience. The position demands strong interpersonal and organisational skills, *liaising* with remote sites and senior management throughout the UK. Previous experience of IBM AS400 and contract accounting systems would be desirable but not essential.

Interested candidates should send their Curriculum Vitae to Peter Gerrard, *Michael Page Finance, Page House,* 39-41 Parker Street, London WC2B 5LH.

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Group Treasury/Tax Accountant

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You will be a Chartered Accountant, with at least 3 years' experience in a large commercial organisation. You must presently be active in a treasury capacity with experience of funding methods, interest and exchange rate management and money market dealings and procedures. Additionally you must be conversant with UK corporate tax.

The position carries an attractive salary and benefits package, which includes fully expensed car, and low cost pension and life assurance scheme.

To apply, please write enclosing full personal and career details to:– Iain Jones, Tilbury Douglas Plc, Tilbury House, Ruscombe Park, Twyford, Berkshire, RG10 9JU.

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FINANCIAL TIMES
COMPANIES & MARKETS

Friday November 1 1991

Nissan declines 56.8% to Y35bn

By Steven Butler in Tokyo

NISSAN MOTOR, the Japanese car maker, yesterday reported a 56.8 per cent decline in pre-tax profits to Y35.4bn ($270.2m) in the six months to the end of September as a result of sluggish sales and rising operating costs.

Sales during the period rose 1.9 per cent, compared with the same period last year, to Y2,088bn. However, the increase was offset by a Y89.3bn rise in the cost of sales, and a Y98bn increase in general and administrative expenses. As a result, operating income fell 70 per cent to Y21.74bn. After-tax earnings were off 48 per cent to Y24.3bn.

Mr Atsushi Muramatsu, executive vice president, said Nissan would stick to plans for Y260bn in capital spending this year. Spending on research and development was expected to rise in the second half of the fiscal year, after staying flat for six months.

Although Nissan's liquidity had improved in the first half after falling sharply at the end of last year, the increased spending could force Nissan to raise up to Y100bn in fresh borrowings or bond issues by next March. Cost-reduction programmes had saved Nissan Y10bn. However, increasing sales at home of less profitable smaller cars at the expense of luxury vehicles, had cut Y25bn from earnings, he said.

A similar shift of demand in the US was responsible for an Y8bn reduction in profits there. A net loss of Y15bn was attributable to the rising value of the yen, in spite of higher foreign currency export prices and a programme of forward currency purchases. Depreciation expenses rose Y13bn, and labour costs Y7bn, although these were offset partially by a Y7bn decrease in business taxes.

Mr Muramatsu said Nissan's UK production had nearly doubled to 62,000 vehicles during the period. In spite of a decline in UK sales from 59,000 vehicles to 17,000 because of Nissan's decision to end business relations with its distributor, exports to Germany had picked up, and Nissan's UK production facilities were operating at capacity. About 200 new UK dealers had been selected by the end of September and were expected to start business early next year.

Worldwide, Nissan's vehicle production rose 0.8 per cent to 1.51m, with a 4.2 per cent decline in Japan offset by a 20 per cent rise in overseas production. Domestic sales fell nearly 5 per cent and exports rose slightly.

Mr Muramatsu said sales were expected to be slightly better in the second half than last year. Pre-tax profits would be 50 per cent down at Y80bn and net income a third down at Y50bn.

Disposal helps ICI to strong increase

By Paul Abrahams in London

IMPERIAL Chemical Industries yesterday warned there was little sign of an economic upturn as the company posted a 22 per cent increase in pre-tax profits for the third quarter.

Sir Denys Henderson, ICI's chairman, said: "While economic conditions may not be deteriorating further, there is, as yet, little sign of any significant improvement in trading conditions in most of our major markets."

The results were in the middle range of analysts' expectations. ICI's shares closed down 16p at £12.71. The profits rise, from £160m to £196m, was helped by the £14m sale of ICI's stake in the chemicals distributor, Ellis & Everard, and favourable currency movements.

The company said the improvement was mainly because of continuing vigorous cost measures with trading conditions in many countries remaining difficult. Mr Colin Short, finance director, said the cost-cutting and disposal programmes were ahead of target. The disposal programme had realised £200m to £250m.

Analysts were told the cost-cutting programme had saved £75m since the beginning of the year and was achieving an annualised rate of £125m.

Meanwhile, Mr Martin Taylor, vice-chairman of Hanson, the British conglomerate which holds an 8 per cent stake in ICI, said he had nothing to add to his comment on July 26 – when ICI reported its first half figures – that his company would be monitoring ICI's performance with great interest. However, confirming that a Hanson bid was unlikely in the near future, Lord Hanson, the company's chairman, was reported by *The Spectator* magazine as saying: "Because of the changes that ICI has been forced to introduce, anyone now considering a bid will have to sit back and wait. If ICI's profits collapse or if they are seen to fail, then perhaps someone will come forward."

Lord Hanson has strongly criticised ICI's behaviour since Hanson became a shareholder. "ICI has turned MPs, its workforce and even little old ladies from Huddersfield against us, trying to make out we are unfit to govern a public company. This is a dangerous thing for industrialists to do," he told the magazine. ICI's advisers had used "dirty tricks". He had hoped Hanson could help ICI, but its managers panicked. "Our plan back-fired."

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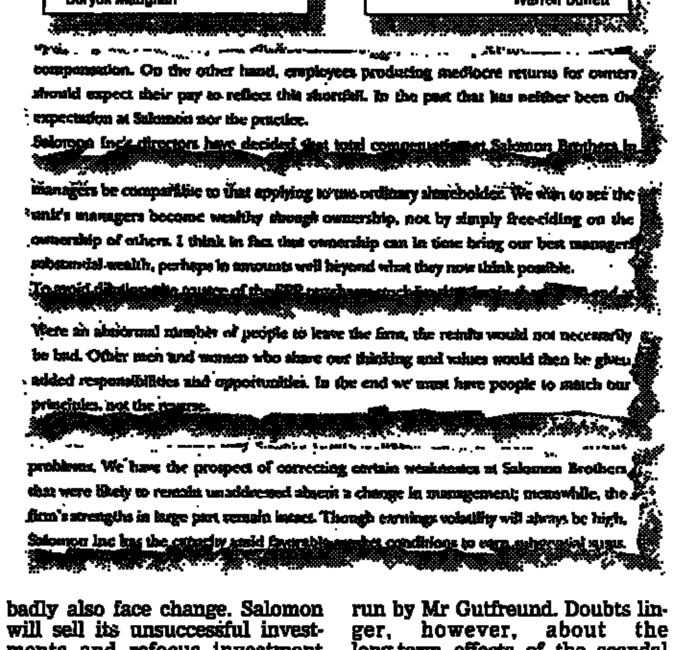
Details, Page 30

Chairman's letter may be a watershed for securities house, **writes Patrick Harverson**

Salomon begins to pick up the pieces


Deryck Maughan


Warren Buffett


compensation. On the other hand, employees producing mediocre returns for owners should expect their pay to reflect this shortfall. In the past that has neither been the expectation at Salomon nor the practice.

Salomon Inc's directors have decided that total compensation at Salomon Brothers

managers be compatible to that applying to the ordinary shareholder. We aim to see the unit's managers become wealthy through ownership, not by simply free-riding on the ownership of others. I think in fact that ownership can in time bring our best managers substantial wealth, perhaps in amounts well beyond what they now think possible.

Were an abnormal number of people to leave the firm, the results would not necessarily be bad. Other men and women who share our thinking and values would then be given added responsibilities and opportunities. In the end we must have people to match our principles, not the reverse.

problems. We have the prospect of correcting certain weaknesses at Salomon Brothers that were likely to remain unaddressed absent a change in management; meanwhile, the firm's strengths in large part remain intact. Though earnings volatility will always be high, Salomon Inc has the capacity amid favorable market conditions to earn substantial sums.

On Tuesday morning, the phones in Mr Deryck Maughan's office at Salomon Brothers rang non-stop.

The calls were to congratulate the chief operating officer of Wall Street's most troubled firm for the newspaper advertisements it ran across the country that day.

The double-page ads carried Salomon's third-quarter results and a letter to shareholders from its chairman, Mr Warren Buffett. That letter may prove a watershed in the fortunes of the once all-powerful securities house.

"Corporate America loved it," said Mr Maughan. By the end of the day, four of the 11 big corporations which suspended dealings with the firm over the bond market scandal had returned to the Salomon fold.

The letter's contents were not remarkable: a $200m provision to cover liability stemming from Salomon's illegal activities in the bond market; the revelation that $58bn of assets had been sold to reduce leverage; the pledge from the chairman that the firm would in future conduct "first class business in a first class way".

What was remarkable was the tone.

The letter read like an apology to shareholders. Mr Buffett criticised the "lopsided" nature of Salomon's past profits, with a few highly profitable businesses carrying the rest.

The strongest criticisms were of Salomon's system of compensating employees, which had left shareholders with too small a slice of the cake. In 1990, wrote Mr Buffett, Salomon's securities unit recorded a return on equity of about 10 per cent, well below the average for US companies. Yet 106 employees earned $1m or more that year.

Mr Buffett said employees would be paid according to their contribution, and the bulk of bonuses would be in stock, not cash.

In the third quarter he took back $110m which had been put aside for bonuses during the first half. At the end of 1991, which but for the scandal would probably have been a record year, Salomon will pay slightly less in bonuses than it did last year, when profits fell by over a third.

In his letter the chairman invited those who did not like the new system to leave – to be replaced by people "who share our thinking and values".

> ❛ I don't just want to rebuild what we had before. It'll take a long time, sure, but I think we can build something better. ❜

Some senior executives may also leave after a $100m bonus is distributed early next year. "There is no question that a number of people have been hanging around here just to collect their cheque," says Mr Maughan.

The federal authorities have yet to announce the results of their investigations into Salomon's bond market activities, and multi-million dollar fines are expected to follow. There are also lawsuits to fight. Meanwhile, since the summer it has taken a series of measures to cope with the after-effects of the scandal.

The immediate priority was to reshape the firm's huge balance sheet. Almost overnight, says Mr John Macfarlane, Salomon's treasurer, "our objectives changed from revenue maximisation to preservation of liquidity".

This meant stripping the balance sheet of low-yielding, low-quality assets – $52bn in total, all of it sold into the market in just six weeks between mid-August and the end of September. Helped by favourable market conditions and some astute trading, Salomon completed the biggest asset sale in Wall Street's history without attracting attention. Its balance sheet is valued at $97bn.

Mr Eric Rosenfeld, the new head of government trading, says: "The balance sheet is down, so our market-making ability is not as good as it was before, but I hope to change that over the next few months when we deploy a little more capital." At every Treasury auction, Mr Rosenfeld has a compliance officer at his elbow on the trading floor, keeping an eye on Salomon's bids and trades. During the auctions Salomon still cannot bid on a customer's behalf because of the Treasury's ban. Some clients have also left the firm or suspended business dealings, although Salomon claims more than 90 per cent of its clients stayed loyal. Revenues however, have suffered, and profits from principal transactions in the third quarter fell 35 per cent to $609m.

The parts of the Salomon empire that have performed badly also face change. Salomon will sell its unsuccessful investments and refocus investment banking operations. The real estate investment banking side has already been restructured. Salomon's US equities business, which has struggled of late, is also due for a shake-up, although Mr Maughan declines to show his hand. Salomon says Phibro will stay within the group for now.

Salomon's optimism about the future may yet prove misplaced. Analysts have warned that the firm could get bogged down in lengthy litigation which diverts management attentions from the business and keeps the scandal in the papers.

The new management has distanced itself from the Salomon run by Mr Gutfreund. Doubts linger, however, about the long-term effects of the scandal on the firm's client base. Some staff members fear a stream of departures by top performers unhappy with the new compensation scheme could undermine Salomon's bond market strength. Mr Maughan replies: "We will give the major producers every reason to stay."

Hugely painful though the scandal has been, Salomon's new management believes it has presented a chance to reshape the firm. "It's a once-in-a-lifetime opportunity," says Mr Rosenfeld. "I don't just want to rebuild what we had before. It'll take a long time, sure, but I think we can build something better."

London SE to end news rule

By Richard Waters in London

THE London Stock Exchange has been forced to abandon rules requiring companies to channel all stock market announcements through the exchange's regulatory news service.

As a result, listed companies will be able from the beginning of next year to hand price-sensitive announcements to commercial news companies, such as Reuters and Extel, at the same time as they give them to the exchange.

The Department of Trade and Industry said yesterday that Mr John Redwood, corporate affairs minister, had been advised that the exchange's rules run counter to article 86 of the EC Treaty. This prohibits any institution from abusing a dominant position in its own market.

The Stock Exchange warned that the DTI's decision to end the rule would mean the flow of information to the market would be less controlled. This could lead to a chaotic market when big announcements were made.

The rule change follows a long battle with the Office of Fair Trading over the distribution of company news. The exchange's current arrangements, under which information is channelled first to its regulatory news service before being released to commercial news organisations, were introduced only a year ago in response to OFT concern.

The exchange said it had made informal soundings of both the OFT and DTI while redesigning its arrangements, and so was surprised that these were now judged to be inadequate.

Observer, Page 22
Alarm bells, Page 31

Norma Cohen on what happens when the boss leaves


Sir Derek Alun-Jones
Ferranti International


Sir Ralph Halpern
Burton Group


Philip Birch
Ward White


George Davies
Next


Sir Roland Smith
British Aerospace


Ephraim Margulies
Berisford

The history of handshakes

THE large sum paid to the departing management of Ultramar has revived the issue of UK executive compensation.

Encouraged by the Bank of England, the Institutional Shareholders' Committee, a group composed of the UK's largest fund managers, is expected to urge shortly that the basis for executive compensation be disclosed as a footnote in the company's annual report. Thus, shareholders will be able to see the amount of performance-related pay and non-cash remuneration.

"We're interested in paying for results," said Mr Andrew Threadgold, executive director of Pos-Tel, the UK's largest employee pension fund. "But where a company is not performing, we think remuneration should be more modest."

There have been several highly public examples of UK company directors who departed with big compensation payments. Sir Ralph Halpern received compensation of £2m ($3.44m) at the time of his departure from Burton Group. Mr Edwin Margulies, former chairman of commodity and property group Berisford, was one of a group of directors who received £3.3m in compensation upon departure.

Sir Derek Alun-Jones received a £477,500 package when he left Ferranti International, just six months after the company announced it would lose £215m as a result of fraud at its US-based International Signal subsidiairy.

Sir Roland Smith, the former part-time executive chairman of British Aerospace will be paid £300,000 per year until 1993. His departure was forced in September by BAe's non-executive directors after the company announced that this year's profits would be sharply lower than expected.

Some departing executives get less than expected, however. Mr Philip Birch, the chairman of Ward White before it was acquired in a contested bid by Boots in 1990, received a payment of about £1m, less than the £4.7m he had originally sought. And Mr George Davis, who sued for wrongful dismissal from Next, is thought to have received no cash compensation.

INSIDE

American Brands buys Seagram names

American Brands, the Connecticut-based tobacco and consumer products company, is to pay $372.5m for the trademarks of seven spirits brands, currently owned by Canada's Seagram Company. The purchase includes the Wolfschmidt Vodka, Ronrico Rum and Calvert Gin brands. **Page 26**

Thames Water ahead 4%

Interim results from Thames Water, the UK's largest water company, illustrate it is not immune to the economic downturn. Pre-tax profits, which were slightly below forecasts, rose only 4 per cent to £118m ($205m). **Page 30**

Vicious cycle for aluminium

With consumption of aluminium generally tied to levels of economic activity, efforts by the International Bauxite Association to boost the use of aluminium products in developing countries have been less than successful. It has now concluded that higher demand for the metal may lie in tailoring more products specifically needed by these markets. **Page 32**

GPA en route to $250m

GPA, the world's biggest aircraft leasing group headed by Dr Tony Ryan (left), has lodged a preliminary filing with the US Securities and Exchange Commission to raise up to $250m in the form of a public bond issue. This will be the first public offering by the private Shannon-based group, whose flotation is scheduled for next year. **Page 31**

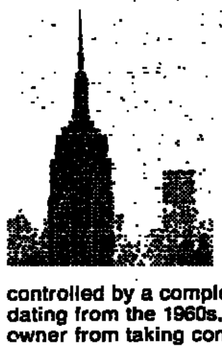
Japanese industrial groups rise

Leading heavy industrial companies in Japan reported generally higher sales for the first half to the end of September, but said currency fluctuations and erratic orders for ships had hurt pre-tax profits, and the slowdown in domestic economic growth will be reflected in full-year results. **Page 27**

Sunshine and clouds in Oslo

Recent good news for the Norwegian stock market includes a rise in oil prices, higher aluminium prices, and inflation of only 3 per cent. But the sense of euphoria is held in check by persistent troubles in the banking sector. **Back Page**

Empire State Building sold?



The empire State Building, one of America's best-known landmarks, is expected to be sold shortly to members of one of America's leading business families for about $40m. But it is difficult to put a value on the building. Although it is owned by the Prudential, America's biggest insurer, which put it on the block in May, it is controlled by a complex leasing arrangement dating from the 1960s, which prevents any owner from taking control before 2076. **Page 26**

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Aachen	620	+	52
Altana	640	+	14
Colonia Konz	1000	+	50
Leifheit	508	+	8
Rosenthal	260	+	4.8
Falls			
Veren-West	348.5	−	6.5

NEW YORK ($)

Rises			
Borland	65	+	7 3/8
Seagram	113 3/8	+	3/8
Falls			
UAL	132	−	2 3/4
Data General	17 7/8	−	3 1/8
Delta	62 5/8	−	7/8
Am. Airlines	63 1/4	−	3/8

PARIS (FFr)

Rises			
Bancaire Cie	518	+	10
Cap Gemini	290	+	10
Cetelem	670	+	24
Gaumont	730	+	20
Falls			
Club Med	423	−	17
Intertech	781	−	29

TOKYO (Yen)

Rises			
Chugokukogyo	638	+	77
Gajoen Kanko	454	+	33
Iwatsu Electric	670	+	50
Sanwa Daiei El	665	+	50
Tokyo Denki Ko	1700	+	150
Falls			
Zuken	6300	−	500

New York prices at 12:30.

LONDON (Pence)

Rises			
Airtours	812	+	27
Christies Intl	159	+	8
Dowty	184	+	13
FR	188	+	8
Grampian TV A	103	+	13
Next	60 1/2	+	3
Pentland	114	+	6
Pizza	70	+	8
Ratners	80	+	4
Reuters	962	+	22
Smart (J)	213	+	13
Falls			
BBA	146	−	8
Gresham House	33	−	7
Greycoat	142	−	9
ICI	1271	−	16
Ingham	95	−	6
Lasmo	318	−	7
Low & Bonar	252	−	11
Ross	10	−	1 1/4
Smiths Inds	250	−	8
TVS Ent	5	−	2 1/4
WPP	61	−	14

Hoogovens forecasts loss after sharp drop in prices

By Ronald van de Krol in Amsterdam

HOOGOVENS, the Dutch steel and aluminium group, expects to make a loss in 1991 because of sharply lower steel and aluminium prices.

The forecast, which marked an unexpected downwards revision of earlier forecasts that the company would merely break even in the 1991 second half, caused Hoogovens' shares to fall by more than 5 per cent to close down Fl 2.60 ($1.37) at Fl 46.10 on the Amsterdam Stock Exchange yesterday.

Aluminium prices have come under pressure from shipments from the Soviet Union, while steel prices in western Europe have fallen as a result of competition from the former East Germany and other parts of eastern Europe as well as from Third World countries. These price cuts are exacerbating existing problems caused by stagnant demand from leading metalworking sectors such as the car and capital goods industries.

Hoogovens, the Netherlands' only steel producer and the seventh-largest in Europe in terms of production, said its core aluminium and steel divisions will make a loss this year, though smaller activities such as steel trading and technical services are expected to be in the black.

Overall, the company said it expected a "very modest profit" on ordinary activities, but added that this result would be offset by a provision of "several millions of guilders" needed to finance the restructuring of an aluminium rolling mill in Duffel, Belgium.

Last week, Hoogovens announced it was pruning its total aluminium smelter production by 10 per cent in response to continued oversupply on the market.

The company, a medium-cost steel producer by European standards, is already mid-way through a programme aimed at improving the performance of its steelworks and lowering production costs.

Hoogovens has said that the increase in productivity will involve the loss of 2,500 jobs out of a total workforce of some 26,000.

Hoogovens' latest forecast is a sharp revision of its August statement that full-year net profit would not differ greatly from the Fl 55m posted in the first half, implying that it would break even in the second half.

In 1990, Hoogovens' net profit before extraordinary items totalled Fl 292m. The 1990 figure was itself 28 per cent down on the year before, prompting the company to reduce its 1990 dividend by nearly 25 per cent.

● **Hunter Douglas**, the Rotterdam-based manufacturer of window coverings and architectural products, is warning of substantially lower earnings in 1991.

However, the group expects to return to profit growth in 1992.

The company, whose window shades are sold under the Luxaflex name, blamed the downturn on the cost of reorganising its Australian operations, recession in its principle English-speaking markets, and the effect of lower aluminium prices on its smelter business.

Thanks mainly to acquisitions, sales rose by 8.4 per cent to Fl 1.32bn ($695m) in the first nine months of 1991. They are also expected to be higher for the year as a whole.

The company, which does not publish quarterly profits, said in August that first-half results had fallen by 40 per cent to Fl 41.6m.

Akzo holds net profit steady

By Ronald van de Krol

AKZO, the Dutch chemicals group, yesterday reported virtually unchanged profit figures for the third quarter. Net profit was Fl 161.5m ($85.9m) against Fl 165.8m last year, while operating profit fell slightly to Fl 279.9m from Fl 286.6m.

"The figures show that there are as yet no clear signs of a market recovery," the company said.

Turnover was down 1 per cent at Fl 4.1b, with higher selling prices and favourable exchange rates more than offset by divestments and lower sales volumes. Akzo's interim dividend was held at Fl 1.50.

Akzo posted higher operating profit in three of its four main businesses – chemical products, coatings and healthcare products – but its fibre activities fell into the red, reflecting the depressed industrial fibres markets. The fibre division's operating results showed a loss of Fl 13m compared with a profit of Fl 36m in the 1990 third quarter.

The figures were in line with analysts' expectations that Akzo, with its relatively limited presence in bulk chemicals, would be able to weather the slump in the chemicals industry, prompting a modest rise in the company's shares yesterday on the Amsterdam Stock Exchange.

Akzo's results contrast sharply with those of DSM, the Netherlands' other big chemicals group, which on Wednesday reported a 50 per cent decline in operating profit and a 38 per cent drop in net profit.

Mr Syb Bergsma, Akzo's financial director, said the recovery of the fibres business would depend on an end to recession in important markets such as the US. For the fourth quarter, Akzo expects companies which use fibres to continue to draw down inventories, indicating that sales will not revive in the short term.

Since the summer, Akzo has sold its 57 per cent stake in the loss-making Spanish fibres company La Seda de Barcelona, whose figures are no longer consolidated by the Dutch company. It is also cutting 1,000 fibres jobs in Germany and the Netherlands.

The company gave no new forecast for 1991, but Mr Bergsma said the third-quarter result would make it easier for the group to meet its previous prediction that full-year profits would be down some 10 per cent from 1990 levels. In the first nine months, net profit fell 5 per cent to Fl 544.2m.

American Brands to buy Seagram names

By Nikki Tait in New York

AMERICAN Brands, the Connecticut-based tobacco and consumer products company, yesterday agreed to pay $372.5m for the trademarks of seven spirits brands owned by Canada's Seagram. When the deal closes in December, it will also acquire Seagram's stocks of finished goods.

The transaction will move American Brands' Jim Beam drinks subsidiary from fourth to third place in the US spirits market, behind Britain's Grand Metropolitan and United Distillers, part of the UK-based Guinness group.

Seagram, which reiterated its policy of concentrating on "core" brands, falls into fourth place, followed by Bacardi.

News of the deal comes a day after American Brands failed to win a £350m hostile bid for Britain's Invergordon Distillers. However, both American Brands and Seagram said that discussions had been under way for some time and that the timing was coincidental.

American Brands ended up with a 40 per cent stake in Invergordon, which it claimed yesterday was a "long-term proposition," although it declined to say categorically that it did not plan to sell.

The brands involved in the deal sell mainly in the US, and comprise the Lord Calvert Canadian Whisky and Kessler American Blended Whiskey products, Wolfschmidt Vodka, Ronrico Rum, Calvert Gin, Calvert Extra American Whiskey, and the Leroux line of cocktails.

Their combined sales in 1990 were around $235m.

The only significant sales outside the US are for Lord Calvert in Scandinavia, where Seagram is retaining the trademark. Commenting on the sale, Seagram claimed that it was aiming for "share of margin rather than share of market".

It said that while the brands represented about a quarter of House of Seagram's sales volume in the US, they comprised "a significantly lower percentage of operating income". It declined to give numbers.

THE EMPIRE State Building, one of America's best-known landmarks, is expected to be sold shortly to members of one of America's leading business families for about $40m, writes Karen Zagor in New York.

The potential buyer is believed to be John Grace, a distant cousin of J. Peter Grace, patriarch of the W.R. Grace company. A spokesman from W.R. Grace said the reported transaction "has nothing to do with W.R. Grace, nor is J. Peter Grace aware of it. Mr Grace has a lot of living relatives".

Mr Ron Bruder, chairman of real-estate specialists Brookhill Group, said there had been talk of the Graces buying the building in New York real-estate circles for the last 60 days. "I would expect a deal to close within the next 90 days."

A sum of $40m may seem a ridiculous price for a prime piece of New York real estate, a 102-storey building fronting Fifth Avenue between 33rd and 34rd streets. But it is difficult to put a value on the Empire State Building.

Although the building is owned by the Prudential, America's biggest insurer, which put it on the block in May, it is controlled by a complex leasing arrangement dating from the 1960s, which prevents any owner from taking control before 2076.

Under the lease agreement, Empire State Building Associates and Empire State Building Company – two partnerships – are entitled to exercise control in almost every respect until that date. The owner gets an income stream of about $3.4m, which is expected to fall to $2m by January.

Den Norske Bank dives deeper into red

By Karen Fossli in Oslo

DEN NORSKE Bank, Norway's biggest bank, has plunged deeper into the red during the past nine months.

Group net losses soared to NKr2.48bn ($377m) from a net loss of NKr559m in the same period last year as losses on loans and guarantees increased to NKr3.78bn from NKr2.64bn.

The deepening crisis has caused the board to postpone a share issue from this month until the second half of next year. The issue would expand capital by NKr2bn.

Mr Ole Lund, DnB's chairman, said the value of the bank's shares will have to be written down and that a decision on this would be made by the turn of the year.

The bank said it had been granted NKr1.25bn in preference capital from the commercial banks' guarantee fund. The state-operated bank insurance fund granted an NKr770m interest bearing support loan to the commercial banks' guarantee fund for the purpose of supplying DnB with preference capital.

Another NKr480m was issued by the commercial banks' guarantee fund.

The state operated fund said yesterday: "The government bank insurance fund's assessment is that a support loan to the commercial bank's guarantee fund channelled to Den norske Bank ... is necessary to secure the bank's capital ratio until this is achieved in a more lasting manner through an ordinary share issue, possibly with the participation of the (newly-established) government bank investment fund."

On October 22, DnB warned it would need a capital injection to meet domestic capital adequacy requirements and at that time said loan-loss provisions would reach NKr3.8bn. It said its real-estate portfolio would be written down by NKr400m but yesterday revised this to NKr478m.

Group operating income, comprising net interest earnings and other operating income, fell by NKr764m to NKr5.38bn in the nine-months. DnB said the decrease was mainly because of sluggish activity in the stock and bond markets and lower interest earnings.

Unexpected fall at UAL

By Nikki Tait

UNITED Airlines, one of the large US carriers, yesterday surprised analysts when its parent company, UAL, unveiled sharply lower third-quarter operating profits and after-tax earnings down from $106.1m a year ago to $25m.

In general, third-quarter figures from other airlines – including United's big rivals, American Airlines and Delta – have been slightly better than pundits had been predicting. United's net profit figure translated into earnings per share of $1.05, while market estimates were around the $1.60 level.

The news sent United shares down by $2¼ to $132, while American slipped $¾ to $63¼ and Delta by $¾ to $62⅝.

United laid the blame on the sluggish US economy, coupled with competitive pricing in the domestic market.

The stronger carriers have been complaining for some time that pricing tactics by the bankrupt airlines – desperate for cash flow – have been undermining the industry's profitability generally.

Yesterday, United gave this argument a new twist by claiming the "geographic characteristics of United's route structure" meant it was particularly badly hit.

Its hubs are concentrated in the western half of the US, where bankrupt carriers such as America West and Continental are also based. It added that there were some "very preliminary signs" that US passenger business may have begun to improve, but said the presence of non-compensatory fares would still hold back progress in the industry.

During the period, operating revenues rose from $2.97bn to $3.23bn. Operating expenses, however, jumped to $3.18bn ($2.84bn), leaving operating earnings at $58.3m ($129m). Like other carriers, United benefited from lower fuel costs – $422.8m against $437.6m.

AEG rejects white goods sell-off

By Andrew Fisher in Frankfurt

AEG, the German electrical and electronics company owned by Daimler-Benz, yesterday stressed it had no intention of selling its household appliance division – now back in profit after losing money last year – but was keen on agreeing strategic alliances to save costs.

Commenting on talks with Bosch-Siemens, the German appliance company in which Bosch and Siemens hold equal stakes, Mr Ernst Georg Stöckl, AEG's chief executive, said these had taken place some time ago and had not been continued. AEG would, anyway, retain the industrial leadership in any association it agreed with other companies.

He poured cold water on the idea of a link-up between Bosch-Siemens and AEG in the domestic appliance sector. He said he was astonished at the interest shown in AEG's discussion over possible co-operation since it was known that its talks with Bosch-Siemens had taken place some time ago.

He asserted that the white goods sector was a strategic part of AEG's business, which also includes rail, electricity, and automation equipment.

AEG's turnover in the appliance sector is DM2.8bn against Bosch-Siemens' DM7bn. The market leader in western Europe is Sweden's Electrolux with 18 per cent of the market, followed by Bosch-Siemens with 13 per cent.

Data General stays in black

By Louise Kehoe in San Francisco

DATA General, the US computer maker, achieved profitability for its fourth quarter and fiscal year, continuing a turnround that is unique within the industry, after four years of heavy losses and a broad restructuring of its operations.

The company's stock price plunged, however, from a Wednesday close of $20⅜ to trade at $17¾ yesterday. Analysts attributed the market reaction to the company's failure to report profits that were higher than their projections.

In the past three quarters, Data General has performed well above expectations, and investors had hoped for another "upside surprise," said Mr Richard Chu, of Cowen, in Boston.

Net income for the fourth quarter was $18.4m, or 50 cents a share. In the same period last year, Data General reported losses of $89.3m, or $2.93 a share, including a restructuring charge of $71.7m.

Swedish commercial TV licence rivals join forces

By John Burton in Stockholm

THE TWO rivals for Sweden's first commercial TV licence have agreed to join forces to win the concession, which will be awarded next week.

But Ms Birgit Friggebo, the culture minister, said yesterday the government will not automatically accept a joint bid until the proposal is examined, as criticism arose over its anti-trust implications.

The London-based Scandinavian satellite channel TV3, which is owned by Mr Jan Stenbeck and his telecommunications and media group Kinnevik, agreed to withdraw from the competition in return for acquiring a significant shareholding in TV4, which will be the sole bidder for the licence.

The main shareholders in TV4, a competing Scandinavian satellite channel, include Wallenberg family investment company Patricia, the pension fund SPP, the farmers co-operative LRF, and the publishers Natur and Kultur.

TV4 will phase out its satellite broadcasting once it starts operating the terrestrial channel next spring. Sweden's Price and Competition Office, however, criticised the new ownership structure of TV4 since it would give Mr Stenbeck a strong position in the Swedish TV advertising market, which has grown rapidly since the start of TV3 in 1988 and TV4 last year.

Besides his expected shareholding of at least 20 per cent in TV4, Mr Stenbeck will continue to broadcast TV3 by satellite and will jointly own an advertising sales office with TV4.

The government competition agency said that the agreement between TV3 and TV4 would lead to a quasi-monopoly situation that could increase advertising prices. TV advertising spending in Sweden is now estimated at SKr500m ($82m), but it could reach SKr3bn within the next few years.

A parliamentary committee in September initially awarded the TV concession to TV3. But the former Social Democratic government agreed not to endorse the politically-sensitive decision, which was made shortly before the country's general election.

The new centre-right government proposed that TV3 and TV4 should co-operate in managing the new channel, which will compete against the two non-commercial state-run stations in addition to TV3.

The government's rationale for its merger proposal was that broader ownership would increase financial support for the new channel, which is expected to lose money until the economy improves.

Bank seeks partner

BANCO Español de Credito (Banesto) would consider merging with a "suitable" partner, Mr Juan Belloso, the managing director, said yesterday, AP-DJ reports from Madrid.

He added that Banesto, which saw consolidated pre-tax profit tumble 22.6 per cent to Pta40.83bn ($380m) in the first nine months of 1991, had not yet entered merger talks with any other big Spanish bank.

Euromarché accounting change

ALTERED accounting procedures at Euromarché, the French retailer, generated a FFr1.04bn ($178.4m) exceptional loss in the first half of 1991, AP-DJ reports from Paris.

The company's new owner, Carrefour, imposed its more stringent standards of accounting to bring the company's books into line with its own. The changes include new ways of accounting for the depreciation of stocks, for leases and for employee retirement provisions.

With the exceptional loss, Euromarché had a net consolidated loss of FFr1.266bn in the first half of 1991. In the first half of last year, Euromarché showed a loss of FFr82m. Without the accounting change, the net consolidated loss for the 1991 first half was FFr225m.

LEGAL NOTICE

No. 0011472 of 1991
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF
MEREWOOD PROPERTIES LIMITED
- and -
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 7th day of October 1991 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the Share Premium Account of the above-named company by £498,114.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Honourable Mr Justice Hoffmann at the Royal Courts of Justice, Strand, London WC2A 2LL, on Monday the 11th day of November 1991.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of Share Premium Account should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

Dated this 1st day of November 1991

Messrs Macfarlanes
10 Norwich Street
London EC4A 1BD
(Ref. A2L/52.1002/55380)
Solicitors for the above-named Company

ANNOUNCEMENTS

CLUBS

CONTRACTS & TENDERS

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INTERNATIONAL COMPANIES AND FINANCE

JAPANESE INTERIM RESULTS

JAL slumps but ANA edges higher

By Steven Butler in Tokyo

SLUGGISH demand for international air travel in the six months to the end of September contributed to an 84.2 per cent plunge in pre-tax profits at Japan Airlines (JAL), the country's principal international carrier. Meanwhile, All Nippon Airways (ANA), the larger of the two airlines and the leading domestic carrier, showed steady growth in revenues and a 5.8 rise at the pre-tax level.

Sales at JAL fell 2.8 per cent compared with the first half of the last fiscal year, to Y576.4bn ($4.4bn). The company said that air traffic demand in Japan in the period had recovered steadily from the effects of the Gulf crisis but that demand had been further dampened by the sluggishness of the Japanese economy.

International traffic dropped 3.1 per cent to 4.17m passengers while cargo fell 4 per cent. Domestic passenger demand continued to rise as JAL expanded its domestic service, but only by 1.5 per cent to 7.76m.

In spite of falling traffic, costs rose 4.3 per cent to Y561.7bn because of increased aircraft leasing and maintenance costs. As a result, operating profits fell by 73 per cent to Y14.7bn. Pre-tax profits fell to Y8.78bn, while after-tax profits plunged 91 per cent to Y2.7bn.

The company forecasts a steady growth in travel amid continued severe competition. It expects to finish the year with Y9.5bn in net profits, down from Y13.7bn last year.

ANA saw 3.8 per cent growth in domestic passengers to 17.5m, while the addition of new international routes led to a 5 per cent rise in international traffic to 691,223.

ANA enjoyed a 9.4 per cent rise in sales to Y414.9bn, while operating income rose 28.1 per cent to Y36.3bn. The sharply improved operating performance was partially offset by a rise in non-operating expenses of Y7.3bn. This included a rise in interest payments from Y14.3bn to Y19.3bn following the introduction of eight new aircraft.

Pre-tax profits rose to Y27.6bn, while a higher tax charge brought net earnings down 3.8 per cent to Y11.9bn.

ANA said its full-year revenues were likely to rise 10 per cent to Y800bn, with a 3 per cent increase in net income to Y11bn.

Heavy industry hurt by erratic ship orders

By Robert Thomson in Tokyo

JAPAN'S leading heavy industrial companies reported generally higher sales for the first half to the end of September, but said that currency fluctuations and erratic orders for ships had hurt pre-tax profits. The sector expects full-year results to reflect the slowdown in domestic economic growth.

Mitsubishi Heavy Industries (MHI) said pre-tax profit had risen 2 per cent to Y67.7bn ($516.8m). Sales fell 1.1 per cent to Y1,019.3bn, with ships and steel structures down 11.5 per cent and power systems falling 1.6 per cent. Sales of general machinery and air-conditioning systems were 9.8 per cent higher.

The shipbuilders have reported that their order books are virtually full for the next two to three years, but some companies have been turning down orders in the expectation that ship prices will increase over the next year and because of wariness of fluctuations in the value of the yen.

Mitsubishi Heavy said that orders in the first half were up 5.2 per cent, and sales would be higher in the second half because of the completion of several shipbuilding contracts. For the full year, the company expects sales of Y2,450bn, up 5.3 per cent, and a pre-tax profit of Y160bn, 4.8 per cent higher.

Kawasaki Heavy Industries (KHI) reported a 9.8 per cent increase in sales to Y390.2bn, but a 36.8 per cent fall in pre-tax profit to Y5.4bn.

The company said that exports of heavy machinery had been hurt by the appreciation of the yen over the past year, and that orders of rolling stock from Japanese railway companies had fallen.

In contrast with many Japanese companies, which are cutting capital spending, Kawasaki Heavy said that it would increase outlays from the planned Y36bn to Y40bn in the year to end-March.

For the full year, it forecasts a pre-tax profit of Y22bn, up 7.8 per cent, on sales of Y950bn, down from a previous estimate of Y960bn, and 6.6 per cent higher than last year.

Ishikawajima-Harima Heavy Industries (IHI), the second-largest builder of ships after MHI, reported a 15.2 per cent increase in pre-tax profit to Y12.2bn on a 23.7 per cent increase in sales to Y374.3bn. The sharp rise in sales reflected an order backlog from the previous period.

Orders for the first half were down 2.7 per cent, with orders taken by the machinery division down 26.6 per cent because of cuts in capital spending by car makers and paper producers.

For the full year, IHI expects a pre-tax profit of Y27bn, the same as last year, on sales of Y800bn, a 9.4 per cent increase.

Sumitomo Heavy Industries reported a 23.6 per cent increase in sales to Y130.2bn and pre-tax profit 7.6 per cent higher at Y1.34bn, in spite of a slowdown in orders during the period.

For the year to the end of March, the company expects a 5.7 per cent increase in sales at Y290bn and a pre-tax profit of Y6bn, up from Y4bn last year.

Sluggish sales push Fanuc down 9.8%

By Emiko Terazono in Tokyo

FANUC, the Japanese machine tool equipment maker, reported a 9.8 per cent decline in unconsolidated pre-tax profit to Y31bn ($236m) for the first six months to September due to sluggish sales in numerical control equipment.

Sales for the first half fell 9.1 per cent to Y84.7bn, and after-tax profits declined 7.4 per cent to Y17.2bn. Fanuc's problems stem from the sluggish machine tool market. Demand has plummeted as companies have cut capital spending.

Machine tool orders have shown double-digit declines in the recent months, and machine tool makers, to which Fanuc supplies its products, do not expect the market to bottom until the middle of 1992.

The company said higher labour costs and R&D expenses had squeezed profits.

For the full year to March 1992, Fanuc projects pre-tax profits to fall 14 per cent to Y60.1bn on an 8 per cent decline in sales to Y170.2bn.

Daishowa Paper narrows loss

By Emiko Terazono in Tokyo

DAISHOWA Paper, the Japanese paper producer headed by Mr Ryoei Saito, the controversial art collector, yesterday announced a pre-tax loss of Y3.7bn ($28.2m) for the first half to September. The result is an improvement from the 1990 first half, when the company posted a deficit of Y7.1bn.

Daishowa's interim sales rose 4.3 per cent to Y180.9bn, and after-tax profit fell 86.9 per cent to Y287m. Its financial costs increased due to a 22.8 per cent rise in interest payments to Y17.2bn.

In an effort to reduce its debt burden, Daishowa said it would seek to unload some of its assets, including cross-shareholdings. It said it was considering selling its pulp plant in Alberta, valued at Y90bn.

Daishowa also hopes to raise up to Y70bn through sales of stocks, including those of its main banks. It said that the banks – including Industrial Bank of Japan, Fuji Bank, and Yasuda Trust & Banking – had given their consent to the stock sales.

The company rapidly expanded its domestic capacity and made several overseas acquisitions in the 1980s, including the 1988 purchase of the Canadian operations of Reed International, the UK publishing group, for C$631m (US$558.4m).

Mr Saito is famous for his extensive art collection, including paintings by Renoir and Van Gogh, which were bought with private, not corporate, funds. However, Mr Saito's collection has caused some Daishowa employees to suggest that he should use his wealth to support the company.

For the full year, Daishowa revised down its earnings projections and forecast a Y6.6bn pre-tax loss on a 1 per cent increase in sales to Y357bn.

It announced a pre-tax loss of Y14.9bn for its last fiscal year to the end of March.

● Seven other leading Japanese paper-makers posted poor results for the half-year to September. The general downturn reflected the sluggish paper and pulp markets and increased interest rates.

Paper companies have made substantial capital investments in the late 1980s, causing overproduction and creating a glut in the market.

Pre-tax profits plunged 80.2 per cent at **Mitsubishi Paper Mills**, while other five companies reported declines in pre-tax profits.

The companies have started to cut production by 70 to 85 per cent, but poor prospects for the market's recovery are expected to depress pre-tax profits for the full year.

● **Ajinomoto**, Japan's largest integrated food processor, announced that its affiliate Morishita Pharmaceutical would merge with the Japanese marketing subsidiary of Roussel-Uclaf, the French medical supply company, **AP-DJ reports from Tokyo.**

In April, Roussel Medica will merge with Osaka-based Morishita to form Roussel Morishita which will be capitalised at Y6.73bn, with 30m shares.

Ajinomoto and Roussel-Uclaf each will hold 9m shares, while the remaining 12m shares will be held by others.

Roussel-Uclaf is seeking to improve its access to the Japanese market.

IDC sells 30% of its stake in Sasol

By Philip Gawith in Johannesburg

INDUSTRIAL Development Corporation (IDC), the South African state-owned concern, yesterday sold a third of its 30 per cent shareholding in Sasol, the chemical company, to a pension fund in a share deal worth R950m ($333.3m).

The sale, to the Government Service Pension Fund, forms part of IDC's strategy of selling investments in existing successful projects to pursue new developments. The IDC has the resources to use some R10bn for industrial development over the next six years, and the Sasol sale represents the most important step so far in this process.

Mr Paul Kruger, chief executive of Sasol, said: "Many buyers waited for this news before deciding to enter the market. The Sasol share price can now be expected to gain value, due to the fact that the IDC has found a mechanism which removes the uncertainties arising from the sale of its shareholding." Sasol's share price, at R19, has risen by more than 30 per cent since good year-end results were released two months ago.

The IDC expects that further sales of the 114m Sasol shares still held will be made in line with its own capital requirements. The 56m shares sold yesterday were priced at the average market value during the month of October.

Another aspect of the IDC's renewed commitment to development involves it paying an annual dividend of R500m to the South African Development Bank both this year and in 1992.

Sentrachem operating income slips

SENTRACHEM, the South Africa chemical company, recorded lower profits in the year to August, writes Philip Gawith.

The poor result reflected the continued effects of recession, the disruption of key markets by strikes, poor agricultural conditions and lower petrochemical prices.

Turnover rose 5.5 per cent to R2.3bn ($807m), but pressure on margins pushed operating income down 4.5 per cent to R214m. Attributable earnings fell 18.6 per cent to R62.6m.

Earnings per share declined to 53.8 cents from 66.1 cents, and the dividend was cut by 25 per cent to 18 cents.

The company expects to increase earnings in the current year because of plant improvements and productivity gains.

General Dynamics outlines its plan to achieve 'critical mass'

By Martin Dickson in New York

MR WILLIAM Anders, the chairman of General Dynamics, said his company intended to buy as well as sell business lines to achieve "critical mass" in the shrinking US defence industry. He called on rival defence contractors to adopt a similar strategy.

In a speech to an industry conference, Mr Anders crystallised many of the problems facing US defence contractors as the Pentagon prepares to reduce spending sharply.

He said the sector needed to be strong to perform its national security mission but was currently sick – generating low returns and suffering massive overcapacity.

The end of the cold war had created permanent structural changes, and the era of repeated upswings in defence spending had ended, he said.

Mr Anders said General Dynamics had earlier this year considered diversifying out of defence but had now decided against this, partly because of an improvement in its order book and partly because studies had shown that defence companies taking this path had a very high failure rate.

The company therefore intended to take the opposite course and concentrate on its core defence competence and "de-conglomerate" – selling off activities that were not adding real value. This was why it recently announced plans to sell Cessna, its successful business jet business, rather than putting more cash into it.

US insurers show improvement

By Nikki Tait in New York

LARGE US insurance companies yesterday continued to roll out third-quarter earnings improvements, but laced the relatively encouraging news with warnings that the domestic property-casualty business remained difficult.

American International Group, the New York-based company which – despite its sturdy reputation – has recently announced significant staff cuts, reported after-tax profits of $376.8m, up by 11.9 per cent from $336.8m in the same period a year earlier. This included realised capital gains up to $14.6m from $8.5m. Third-quarter revenues were 7.5 per cent higher at $4.2bn.

Operating profits from the general insurance division slipped to $253.3m from $276m year-on-year, while the life business turned in $134.8m against $117.3m.

Meanwhile, at General Re, the largest reinsurance company in the US, after-tax profits rose from $153.8m to $161.6m. Realised gain contributed $18.6m, compared with $12.3m, while operating income – before such gains – rose to $143m from $141.5m. Revenues were $792.6m against $770.2m.

General Re described third-quarter underwriting figures as "unsatisfactory," but noted that they had at least improved from the second quarter.

Domtex sees end to recession in textiles

By Robert Gibbens in Montreal

NORTH America's worst textile industry recession in 50 years is probably over, according to Dominion Textiles, the Canadian integrated textile group. Yarn, denim and some industrial products are recovering strongly.

However, recession is now gripping European markets and Domtex's apparel fabrics business there is down sharply, Mr Charles Hantho, chairman, said after the annual meeting.

For the first quarter ended September 30, Domtex reported a loss of C$12.5m (US$11.1m), or 40 cents a share, against a loss of C$15.4m, or 55 cents, a year earlier on sales of C$320m, up 8 per cent.

In the year ended June 30 last, the group posted a loss of C$129m, or C$4.07 a share, including C$2.05 a share in special restructuring charges. Sales were C$1.2bn.

Mr Hantho said the first quarter is normally the slowest because of seasonal factors, and the rise in sales was encouraging. Yarn volume was up 23 per cent and the gains in denim cloth were in upmarket lines, with strong selling prices.

Mr Hantho said Domtex would continue its restructuring and asset sale to confine its global operations to four or five core businesses. Reducing debt from C$557m as at June 30 last was a top priority.

If the north American Free Trade Area becomes a reality, Domtex is ready to set up manufacturing in Mexico

● **Southam**, Canada's biggest daily newspaper publisher, wants to sell its big commercial printing operation to reduce its debt. It has retained investment bankers Burns Fry to handle the sale.

Southam wants to concentrate on its newspaper and other information businesses. It also owns a large national bookstore chain.

The company, with 17,000 employees, had a loss of C$17.2m on revenues of C$412m in the first half of 1991, against a profit of C$28.1m on revenues of C$422m a year earlier. Its stock has fallen 50 per cent this year.

Southam is 23 per cent controlled by the Southam family; Torstar, publisher of the Toronto Star, also owns 23 per cent.

Southam's results have been drastically affected by poor newspaper advertising and slow commercial printing markets.

● **Rio Algom**, the uranium and base metals mining group, reported a profit of C$11.3m, or 22 cents a share, for the first nine months of 1991, including a loss of C$20.3m from the shutdown of its tin operation.

This compared with a profit of C$58.6m, or C$1.29, a share a year earlier, after special items.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for Trading on 01.11.91: Pool purchase price £/MWh	Final Prices for Trading on 04.10.91: Pool purchase price £/MWh	Pool selling price £/MWh
0030	16.04	15.85	15.86
0100	15.92	15.85	15.86
0130	17.21	15.85	15.85
0200	16.06	15.90	15.90
0230	15.92	15.91	15.91
0300	15.92	15.91	15.91
0330	15.88	15.86	15.86
0400	15.67	15.85	15.85
0430	15.86	15.85	15.85
0500	15.85	15.85	15.85
0530	15.86	15.90	15.90
0600	15.67	15.91	15.91
0630	16.03	15.95	15.95
0700	16.23	16.64	18.84
0730	17.47	19.54	23.31
0800	18.52	32.95	39.61
0830	18.76	37.99	46.47
0900	25.54	47.97	59.09
0930	23.18	50.92	63.09
1000	25.54	51.01	63.27
1030	25.54	48.22	59.74
1100	25.54	44.93	55.42
1130	25.54	46.25	57.21
1200	25.54	45.65	56.35
1230	25.54	41.35	50.60
1300	25.54	33.89	40.67
1330	19.23	22.82	27.24
1400	19.23	20.41	23.97
1430	18.76	25.12	28.56
1500	18.78	24.97	28.35
1530	18.76	19.07	22.29
1600	18.66	17.21	17.21
1630	21.01	27.17	27.17
1700	21.67	26.02	29.86
1730	28.13	26.00	29.81
1800	28.14	25.84	29.62
1830	27.84	29.50	29.50
1900	27.73	30.32	35.92
1930	21.69	30.47	35.95
2000	21.59	28.01	32.83
2030	18.76	18.79	22.11
2100	18.62	18.21	21.27
2130	18.20	18.09	21.10
2200	18.20	18.08	21.09
2230	18.13	18.08	21.08
2300	18.04	17.16	20.14
2330	15.92	16.06	16.06
2400	15.90	15.96	15.96

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.86/MWh becomes 1.886p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

Treasuries remain hopeful of cut in interest rates

By **Patrick Harverson** in New York and **Sara Webb** in London

AFTER a weak start following better-than-expected jobless claims data, US bond prices edged higher yesterday morning on comments from a White House spokesman which suggested the Federal Reserve may cut interest rates further.

GOVERNMENT BONDS

By midday, the benchmark 30-year bond was up 1/32 at 102⅞, yielding 7.893 per cent. The two-year note was firmer, up 1/32 at 100⅞, to yield 5.681 per cent.

Prices had opened the day lower on news that the number of people claiming state unemployment insurance fell by 47,000 to 405,000 in the week ending October 19.

The decline was much bigger than forecast, and although the market was unsettled initially, the realisation that the numbers were distorted by the Columbus Day holiday eventually sunk in and prices recovered some of their lost ground.

Sentiment took a notable turn for the better later in the morning when Mr Marlin Fitzwater, the chief White House spokesman, said the Fed's decision not to stop the Fed funds rate from falling on Wednesday was an easing of policy. Comments from Mr Fitzwater that the Fed may act further to stimulate the economy provided investors with another reason to buy bonds.

■ UK government bond prices dropped a quarter of a point following the weak overnight US Treasury bond market and worries that last night's Mansion House speech by the Chancellor of the Exchequer would not contain any changes to the funding rules.

Volumes in gilt futures were low as the market waited for the speech, but the market picked up again by late afternoon after Mr John Major, the prime minister, confirmed his commitment to lower inflation, and closed only slightly lower on the day.

The benchmark 11¾ per cent gilt due 2003/07 fell from its opening level of 113 25/32 to 113 21/32, before recovering to trade at 113 23/32 by late afternoon. Traders said that sterling weakness put some downward pressure on prices, as the pound dipped below DM2.91.

■ JAPANESE government bond prices dropped on profit-taking and short-covering, but picked up later in the day on reports that the Bank of Japan and Ministry of Finance have agreed a 0.5 per cent cut in the Official Discount Rate to 5 per cent. The market closed slightly higher on the day.

The cut is expected to take place in November.

Traders said the market has already discounted the prospect of a cut in interest rates, tempting bond holders to take profits on market strength. The market is also worried about the prospect of oversupply in the next few weeks as an estimated Y400bn in corporate and utility bonds is expected to be issued, according to traders.

The yield on the benchmark No 129 opened at 5.91 per cent and closed at 5.895 per cent after trading in a range of 5.88-5.95 per cent. Short-term interest rates crept up, with the overnight unsecured call money rate trading at 6¾ per cent yesterday, up from 6 9/16 per cent on Wednesday.

■ GERMAN government bonds traded in a narrow range, closing slightly lower on the day.

In the futures markets, the December Liffe bund futures contract closed at 85.53, down 12 basis points from Wednesday's close.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	114.5651	-	9.70	10.00	10.25
BELGIUM		9.000	06/01	99.4500	-0.100	9.08	9.10	9.09
CANADA *		9.750	12/01	107.1000	+0.450	8.68	9.06	9.10
DENMARK		9.000	11/00	100.5250	-0.050	8.91	8.94	9.04
FRANCE	BTAN	8.500	11/96	99.3016	-0.018	8.92	8.95	9.06
	OAT	9.500	01/01	104.5300	-0.020	8.75	8.79	8.82
GERMANY		8.25	09/01	99.2900	-0.160	8.35	8.31	8.23
ITALY		12.000	08/01	97.8800	-	12.42	12.38	12.52
JAPAN	No 119	4.800	06/99	92.5475	-	6.24	6.17	6.25
	No 129	6.400	03/00	102.8058	+0.032	5.90	5.81	5.89
NETHERLANDS		8.500	03/01	98.1700	-0.080	8.79	8.76	8.75
SPAIN		11.900	07/96	100.9000	-	11.59	11.60	11.38
UK GILTS		10.000	11/96	101-04	-2/32	9.72	9.84	9.63
		10.000	02/01	101-25	-6/32	9.70	9.86	9.55
		9.000	10/08	96-00	-2/32	9.48	9.61	9.32
US TREASURY *		7.875	08/01	102-31	+2/32	7.44	7.65	7.45
		8.125	08/21	102-18	+1/32	7.90	8.05	7.82

London closing, *denotes New York morning session. Yields: Local market standard. Prices: US, UK in 32nds., others in decimal. *Technical Data/ATLAS Price Sources*

Bremen bourse delays Midas decision

THE Bremen bourse has postponed a decision on whether to introduce a new electronic trading system set up by independent brokers which would compete directly with a system run by Germany's big banks, Reuter reports from Frankfurt.

The new trading system, called Midas, was developed to compete with the Ibis system developed by leading banks.

Bremen yesterday abruptly cancelled a news conference planned for Monday to unveil Midas. In a terse, one-sentence statement, it said: "Because the Bremen bourse board has postponed its decision on the integration of Midas, we ask for your understanding that we have thus cancelled the news conference."

The future of Midas, which is not yet operating anywhere, had been looking increasingly uncertain until news emerged that the regional Bremen bourse, the smallest of eight German exchanges, was considering using it.

But, sources have reported wrangling among Midas officials about the sense of going it alone, especially as Germany's seven other exchanges seemed to be developing closer links to the Frankfurt exchange and the Ibis system.

Ibis, which has been operational since March, was initially only a price system. Since it involved into a fully fledged dealing system, it has captured 10 per cent of all German stock trading.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:10 pm on October 31

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	103¼	103¾	+⅛	6.27
ALBERTA PROVINCE 9 3/8 95	600	107½	107¾		7.15
AUSTRIA 8 1/2 00	400	103¼	103¾	+⅛	7.94
BANK OF TOKYO 8 3/8 96	100	102⅝	103⅛	+⅛	7.63
BELGIUM 9 5/8 98	250	109¼	109½	+⅛	7.81
BFCE 7 3/4 97	150	101½	101⅞	+⅛	7.39
BNP 8 5/8 94	300	104⅝	105		6.71
BP CAPITAL 9 5/8 93	150	103¼	104⅝	+⅛	6.27
CANADA 9 96	1000	107⅛	107⅜		7.01
CARCO 9 1/4 96	650	104⅛	105⅛	+1	6.16
[illegible]					

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	94	95		9.58
KREDIETBANK 7 93 LFr	1000	95⅛	96⅛	-⅛	9.77
WORLD BANK 8 96 LFr	1000	96½	97⅛	+⅛	8.96
BCE INC 9 5/8 93 C$	300	101½	102		8.44
BELL CANADA 10 5/8 99 C$	150	105½	106	-⅛	9.57
BRITISH COLUMBIA 9 1/4 93 C$	150	101¼	101⅞		8.26
EIB 10 1/8 98 C$	130	104⅞	105⅛	+1⅛	9.06
ELEC DE FRANCE 9 3/4 99 C$	275	103⅛	103⅞	+⅛	9.17
FORD CREDIT CANADA 10 94 C$	100	103	103⅛	+⅛	8.71
GENERAL ELECT CAP 10 1/4 93 C$	175	103⅛	104	+⅛	8.26
[illegible]					

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
[illegible]				

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	97⅛	98		5.85
CREDIT FONCIER 5 1/4 94	20000	97⅛	98⅛		6.05
DENMARK 7 95	40000	103⅛	103⅜		5.90
EIB 4 5/8 94	40000	97⅜	97⅝	+⅛	5.76
FINLAND 6 3/4 96	50000	102½	102¾	-⅛	6.07
GENERAL ELECTRIC 5 3/4 93	35000	99⅛	99¾		6.29
INTER AMER DEV 7 1/4 00	30000	108⅛	108⅜		5.96
KANSAI ELEC PWR 4 5/8 94	60000	96½	96¾	-⅛	6.16
NIPPON TEL & TEL 5 7/8 96	50000	99½	99¾		5.99
NORWAY 5 1/8 95	50000	97⅝	97⅞		5.90
SNCF 6 3/4 00	30000	105⅛	105⅜		5.91
SWEDEN 5 5/8 95	20000	98⅛	99⅛		5.99
WORLD BANK 6 3/4 00	50000	105⅜	105⅝	-⅛	5.91

CONVERTIBLE BONDS	Issued	Cnv. price	Bid	Offer	Prem.
[illegible]					
GOLD KALGOORLIE 7 1/2 00	65	1.0554	77½	78½	+50.82
HANSON 9 1/2 06 £	500	2.5875	99⅛	100⅛	+20.72
HAWLEY 6 02 PREF	400	19.1	84	86⅛	
HILLSDOWN 4 1/2 02 £	150	3.97	114½	115½	
LAND SECS 6 3/4 02 £	84	6.72	85⅛	86⅛	+13.73
LASMO 7 3/4 05 £	90	5.64	79⅛	80⅛	+38.40
MITSUI BANK 2 5/8 03	200	2337½	101	103	+17.32
MOUNT ISA FIN 6 1/2 97	100	2.283	91½	92½	+16.57
OGDEN 6 02	85	39.077	74½	75½	+54.24
SMITH & NEPHEW 4 02 £	90	1.775	117⅛	118⅛	+55.11
SUMITOMO BANK 3 1/8 04	300	3606.9	79⅛	80½	+19.17
TEXAS INSTRUMENTS 2 3/4 02	300	82⅛	86½	87½	
THORN EMI 5 3/4 04 £	103	7.45	117⅛	118⅛	+8.68

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Maverick broker leads the way in Germany

Paul Berwein

"THE prospects do not look good for my colleagues," laments Mr Paul Berwein, one of Germany's leading Freimakler, a type of stockbroker.

Mr Berwein has never been one of the herd. Not only is he a Bavarian who prefers to drink milk rather than beer, he is also a German broker with an appetite for risk. And, in contrast to most of his contemporaries, he has embraced the computer as a means of trading equities.

With Germany's stock exchanges in the midst of sweeping reform and advancing towards screen-based dealing, many of the country's brokers fear for their livelihood. What of their role in a system where the computer can match trades in split seconds?

Katherine Campbell on the fortunes of a Freimakler who sold his company to S. G. Warburg

The Kursmakler, official brokers still pledged by oath to make fair prices in a system originally designed to protect small investors, have grown rich in what is often a largely riskless trade-matching function. They worry how they can generate liquidity in the new era. Will the more adaptable Freimakler, who, lacking the mandate to generate official prices, have been freer to assume trading risk on their own behalf, fare any better?

Mr Berwein's answer, in his rather individual case, came two years ago by becoming the first broker to sell out to a foreign investment house. His Munich-based business was purchased in the spring of 1989 by S. G. Warburg.

Mr Berwein is still very much king pin in the company's German equity operations. They retain his name and remain corporately separate from the remainder of Warburg's emerging presence in Germany.

Not surprisingly, he is fairly scathing of other brokers who are less perceptive of the way the business is going, and the need to develop, if not as he has done via a link with a well-capitalised European investment house, then into a niche domestic business.

Why have others not followed his lead? "You have to be German to understand that. Not that I do," he adds. "They think they will be able to levy 'courtage' for the next 10 years, and are not prepared to enter a risk business."

Courtage is the commission payable on each side of a trade handled by a broker. It has been whittled down over the years, but still stands at 0.06 per cent. The Kursmakler won an important – if symbolic – victory earlier this year when, having muscled their way onto Ibis, the computerised electronic trading system launched by the big German banks, they also extracted the right to courtage. The fact they have to quote more competitive prices in order to win business from the banks who deal net of commission is another matter. Mr Berwein's firm, alone of the Freimakler, charges no courtage. "I reckon cross-border business has to be dealt net," he says.

He has always looked further than the narrow confines of the German market since he became its first Freimakler in the mid-1960s. "The stock exchange was only open for 1½ hours in those days," he recalls, "so I did a lot of telephone business with America in the afternoons."

Mr Berwein sees the screen as the key to springing the narrow confines of floor-based trading. "Every screen is basically a net dealing system," he said, which is why he opted to embrace Ibis rather than the rival screen dealing network promoted by the Freimakler, which planned to keep some form of commissions.

The latter system exhibited many of the other characteristics of the cross-border system Mr Berwein advocates – unlike Ibis, where trading is restricted to members of the Frankfurt bourse. Now the Freimakler project has run into perhaps insuperable opposition, apparently orchestrated by the big banks, his decision appears vindicated.

INTERNATIONAL CAPITAL MARKETS

Fresh moves may solve HK stock exchange dispute

By Angus Foster in Hong Kong

EXECUTIVES from Hong Kong's Securities and Futures Commission, the overall market watchdog, and the stock exchange yesterday agreed in principle on a joint plan of action designed to solve a dispute over reforms being introduced to the exchange.

Neither side gave details on the plan, but it is expected to involve the exchange putting in place a compromise package of reforms. These will need to satisfy the commission and also get round a complicated legal problem created by a court ruling on Wednesday.

The new plan of action follows the exchange's failure to implement a last-ditch set of voluntary reforms. In a long running saga, the commission has been pushing for the adoption of the reforms, designed to widen the representation on the exchange's ruling council to include more international stockbrokers and market practitioners. The changes also aim to abolish practices which in the past have been seen as open to abuse.

Although exchange members approved a package of voluntary reforms at an extraordinary meeting on Wednesday, the High Court ruled the exchange did not give members adequate notice of the meeting, thereby invalidating its decisions. This threatened a crisis at the exchange and led to the commission imposing a slightly harder-hitting set of compulsory reforms.

But yesterday's meeting, described as "useful" by both sides, rekindles the chance of compromise. The exchange's new chief executive, Mr Paul Chow, who has good links with the commission was present.

Executives from the two sides will now put the plan of action to their respective bodies today with a view to solving the confusion quickly.

Other reforms which the commission is insisting must be introduced, but will need exchange approval, call for the exchange's articles to be changed and state its primary responsibility lies to the public rather than its members.

The exchange is also being asked to abolish its system of proxy voting. This has been used in the past by powerful individuals to dominate exchange decisions.

Dun & Bradstreet in Nikkei Telecom deal

DUN & BRADSTREET Information Services and Nihon Keizai Shimbun have signed a licensing agreement under which the Japanese company will distribute Dun & Bradstreet business information on the Nikkei Telecom electronic information service, AP-DJ reports from Tokyo.

Under the licensing agreement, Nikkei Telecom will provide its customers with access to D&B Business Information Reports on companies in the United States.

The two companies have plans to provide Nikkei Telecom subscribers with access to additional D&B products and to information from other parts of the world at a later date.

Nikkei Telecom is Japan's largest electronic information network.

It has more than 20,000 customers.

● BARCLAYS de Zoete Wedd (BZW) has announced that it is launching a $50m Taiwanese stock index fund.

The closed-end fund will be listed in Hong Kong.

It will be structured so that it will allow investors to switch between the index and cash.

The fund will be based on the Taiwan Stock Exchange weighted index which covers 194 different stocks.

Liffe to revamp Ecu futures contract

By Tracy Corrigan

THE London International Financial Futures Exchange is revamping its Ecu bond futures contract, which has been trailing behind a rival contract on the Matif, the Paris-based exchange.

Over the past six months, daily volume on the Matif has averaged just over 2,000 contracts a day, against 341 contracts on Liffe. (Each Liffe contract is twice as large as each Matif contract, however.) The volume on the Matif contract, itself less than spectacular, at least offers reasonable liquidity. Traders say even London-based clients now use the Matif contract.

"It's going to be difficult for London to regain the lost ground," said one trader. The Matif launched its contract six months ahead of Liffe and has benefited from the French government's active support for the market, through its long-standing Ecu bond programme, dealers said.

The Matif market has also been better served by its system of dedicated market-makers. Liffe's designated brokers have failed to provide adequate liquidity.

Consequently, Liffe decided yesterday to switch to a designated market-maker system. The scheme will be introduced on January 13, shortly after the exchange's move to its new Cannon Bridge base.

Designated market-makers will be required to quote prices at a maximum bid/offer spread of 4 basis points in the first delivery month of the contract. So far, four firms have come forward: San Paolo, Swiss Bank Corporation, Tokai International and Union Bank of Switzerland.

Liffe is also changing the contract specification. From March, only sovereign bonds will be deliverable. (bonds issued by supranational borrowers such as the European Investment Bank, will not be eligible.) The list will be decided by the board and will then be fixed for the duration of the contract.

Most market participants said the changes were needed, and were guardedly optimistic about the contract's future.

Guinness, Thames Water tap into sterling

By Tracy Corrigan

UK COMPANIES are looking more closely at funding opportunities in the sterling market. Guinness and Thames Water both tapped the sterling bond market yesterday, taking advantage of attractive funding conditions which are

INTERNATIONAL BONDS

widely expected to fade next year.

"There is a possibility over the winter that funding costs will go up, due to uncertainty ahead of the [general] election, and rates may climb after the election, whoever wins," said Mr David Luffrum, Thames' group finance director.

Both deals fared well, despite some weakness in the gilts market yesterday. The £150m 10-year deal for Thames, priced to yield 62 basis points above the comparable gilt, met enthusiastic demand.

Dealers said that the deal traded better than its AA2/AA+ rating would imply, because investors favour utilities over other corporate names. In addition, the name is quite well known in continental Europe following the privatisation of UK water companies in 1989.

Part of the deal is being swapped into floating-rate funding until it is needed for Thames' large investment programme, which is likely to total £400m a year until the end of the century. Thames launched a convertible bond issue earlier this year, and also has a leasing facility with Abbey National, as well as several loans from the European Investment Bank.

The £150m six-year deal for Guinness, the UK brewer, which was priced to yield 60 basis points above the comparable gilt, also sold out quickly. Guinness, which swapped the proceeds into floating-rate sterling, perceived a "good opportunity (to tap the market) because of the rally in the gilts market and healthy investor appetite for the Guinness name," according to an official. The deal was quoted at less 1%, comfortably inside full fees of 1⅞ points.

Guinness has raised a total of £770m this year, partly due to a series of acquisitions, but also because the company has been refinancing short-term debt in an effort to lengthen its maturity profile. The proceeds of this latest deal will repay existing short-term bank debt.

Elsewhere, Nordic Investment Bank, the Scandinavian agency, launched the first Eurobond denominated in Icelandic krona. The IKr2.5bn deal was divided into two tranches, one fixed-rate and one index-linked, both offering high interest rates compared with other currency sectors. However, the Icelandic krona is linked to a basket of currencies (not, as the Swedish krona now is, to the Ecu) so European investors face some currency exposure. However, the Icelandic krona is widely expect to be linked to the Ecu in 1993.

However, the market has limited potential for growth. The NIB lends to Iceland, and so can directly pass on Icelandic Krona, but few borrowers are likely to have a requirement for the currency.

Elsewhere, Citibank's $1.5bn deal, increased from $1.25bn, which was launched on Wednesday, had not been priced by the closing of European markets yesterday, due to a delay at the Securities and Exchange Commission. Dealers said distribution was skewed towards the US; although there was strong European interest in the two-year portion of the two-tranche global offering, there was limited European interest in the seven-year tranche, which looked tightly priced compared with some Eurobond offerings, dealers said.

A $200m deal for Nestle Holdings, priced to yield 32 basis points over the five-year Treasury, met strong demand, including a large portion of institutional interest, according to Credit Suisse First Boston, which arranged both sterling deals as well as the Nestle offering yesterday.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Nestle Holdings(a)†	200	7⅛	101.24	1996	1⅞/1.775	CSFB
Ssangyong Cement Ind.(b)§†	70	3	100	2005	2½/1½	Ssangyong Secs.Europe
STERLING						
Guinness(a)†	150	10⅝	101⅝	1997	1⅞/1.725	CSFB
Thames Water Utilities Fin.(a)†	150	10½	101.28	2001	2/1¾	CSFB
AUSTRALIAN DOLLARS						
Shell Australia(a)†	100	10	101.95	1997	2/1½	Hambros Bank
D-MARKS						
Republic of Finland(a)†	300	8⅝	101⅞	1998	2¼/1⅜	Dresdner Bank
LIRE						
Swedish Export Credit(a)†	150bn	11.7	101.775	1998	1⅞/1½	IMI Bank (Lux)
ICELANDIC KRONUR						
Nordic Investment Bk(c)†	1.5bn	(c)	101¾	1996	1⅞/1¼	Skan'viska.Ensk.Bkan.C.M.
Nordic Investment Bk(a)†	1bn	13	100.45	1994	1⅜/⅞	JP Morgan
YEN						
EIB(a)†	50bn	5⅞	99.70	1999	0.30/0.15	IBJ Int.

★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Coupon was indicated at 3-3½%. Conversion premium fixed at 23%. Callable from 1/1/94 at 104% declining 1% annually. Put option 14/11/98 at 123¾% to yield 7-7½%. c) Coupon pays Icelandic Credit Terms Index + 6¾%. Non-callable.

Bristol & West issue raises £50m

By Simon London

THE market for permanent interest-bearing shares (Pibs) issued by UK building societies took a further step forward yesterday with Bristol & West raising £50m and confirmation that Halifax is close to launching a £100m deal.

Yesterday's issue, lead-managed by Salomon Brothers, is the third since June, when new legislation came into effect allowing building societies to raise core capital from the financial markets. Bristol & West is the 10th-largest building society with assets of £6.2bn, the smallest of the issuers so far.

The pricing of the Pibs reflected this, with the shares priced to yield 385 basis points more than UK government bonds. Earlier issues from Leeds Permanent and Bradford & Bingley were launched at yield spreads of 350 basis points and 360 basis points respectively, but now trade at around 330 basis points.

Pibs are deeply subordinated, ranking even below depositors' funds held in share savings accounts in the event of winding up. They are also irredeemable, and non-cumulative – missed interest payments do not mount up for payment at a later date.

Yesterday's issue comes in denominations of just £1,000, against £50,000 for the Leeds Permanent deal. The smaller denominations are designed to improve secondary market liquidity.

The shares were initially placed with UK institutional investors, mostly insurance company and pension fund managers, who like to match long-dated assets against their long-term liabilities.

Halifax, the largest building society with assets of £56bn, is likely to be the next in the market. The building society has mandated S. G. Warburg Securities to lead the issue and has held meetings with institutional investors over the past two weeks. An issue in excess of £100m is envisaged.

The Halifax issue is likely to be priced at a lower yield spread than the earlier issues, reflecting the credit quality of the issuer. Halifax is rated Aa1 by Moody's Investors Service, the US credit rating agency, the same as National Westminster Bank, and two notches above Leeds Permanent.

Analysts at Warburg said the "correct" pricing for a Halifax Pibs issue would be at a yield spread of 230-250 basis points over government bonds.

News Corp announces plans for $700m offering

By Raymond Snoddy

MR Rupert Murdoch, chief executive of News Corporation, confirmed yesterday that he plans to raise at least $700m in equity and long-term debt.

News Corp said that it is preparing an offering of around $450m of equity and also a separate offering of not less than $250m in long-term debt.

The equity stake will consist of American Depository Shares in the US and ordinary shares outside the US.

It will be offered internationally by public offering and placement and not by a rights offering.

The fact that Mr Murdoch is raising money less than a year after the completion of a re-financing of debt more than $7bn is an indication of how investor sentiment has moved in News Corp's favour.

The offerings are part of a financing programme that includes a private placement of $175m of exchangeable preference shares to investors that include Telecommunications and Boston Ventures Partnerships.

There is also a proposal to raise around $500m from the disposal of a 55 per cent stake in News Corp's printing and magazine operations.

The new offerings will be made through a prospectus filed with the US Securities and Exchange Commission.

The equity offering will have to be approved at a meeting of News Corp's shareholders to be held in December.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thursday October 31 1991 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1991 to date	Wed Oct 30 Index No.	Tue Oct 29 Index No.	Mon Oct 28 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (181)	816.03	-0.5	9.39	5.95	13.31	31.79	819.79	813.89	813.15	681.95
2 Building Materials (23)	1001.96	-0.2	7.39	6.22	17.83	41.35	1004.38	990.96	980.35	916.49
3 Contracting, Construction (30)	1071.64	+0.2	8.43	6.86	16.33	49.81	1069.27	1061.93	1060.81	1112.60
4 Electricals (11)	2488.50	-0.7	8.78	5.31	14.43	84.23	2507.15	2485.95	2486.19	1765.48
5 Electronics (25)	1726.78	+0.1	11.00	5.52	11.50	51.73	1724.83	1707.45	1706.53	1541.26
6 Engineering-Aerospace (8)	354.91	-0.1	15.79	7.32	7.65	18.52	355.25	353.00	356.86	404.70
7 Engineering-General (43)	490.00	......	9.98	5.18	12.33	16.58	489.85	487.97	486.63	350.53
8 Metals and Metal Forming (9)	429.70	-0.6	15.24	8.25	7.97	18.43	432.13	434.31	434.89	403.24
9 Motors (12)	335.35	-1.9	7.08	7.18	19.32	17.56	341.70	341.71	340.96	264.91
10 Other Industrial Materials (20)	1577.05	-1.0	8.00	5.17	14.85	57.59	1592.66	1581.22	1586.38	1103.89
21 CONSUMER GROUP (190)	1578.30	-0.2	7.24	3.53	17.09	34.04	1581.20	1561.53	1562.32	1173.93
22 Brewers and Distillers (22)	1937.85	-0.2	7.95	3.47	15.31	38.33	1941.16	1929.35	1945.25	1463.81
25 Food Manufacturing (19)	1192.12	-1.0	9.51	4.19	13.01	29.98	1204.10	1199.23	1206.68	990.91
26 Food Retailing (17)	2377.20	-0.1	9.25	3.42	14.12	52.15	2379.43	2343.03	2400.57	2253.99
27 Health and Household (23)	4003.20	-0.5	5.04	2.36	22.74	61.87	4023.26	3961.29	3875.90	2389.56
29 Hotels and Leisure (24)	1337.90	-0.4	7.62	5.26	16.22	45.61	1342.69	1337.49	1337.65	1175.22
30 Media (26)	1534.20	+0.6	6.88	4.64	18.99	44.40	1524.45	1497.58	1505.90	0.00
31 Packaging, Paper & Printing (17)	763.93	+0.5	7.35	4.31	16.50	23.54	760.42	759.07	756.14	475.60
34 Stores (33)	1037.28	+0.5	7.26	3.59	18.03	20.52	1032.57	1007.96	1017.67	790.26
35 Textiles (9)	651.43	-0.1	7.10	4.78	17.88	15.49	651.87	645.16	644.73	415.41
40 OTHER GROUPS (110)	1260.38	-0.4	9.53	5.15	13.20	36.02	1266.05	1255.82	1256.72	940.74
41 Business Services (12)	1398.82	-1.0	7.63	4.67	16.30	39.29	1412.68	1407.60	1400.18	0.00
42 Chemicals (21)	1430.75	-1.2	7.05	5.06	17.52	48.39	1448.25	1427.53	1439.08	996.99
43 Conglomerates (11)	1488.17	+0.1	9.71	7.04	12.48	38.87	1486.03	1471.05	1478.85	1220.99
44 Transport (13)	2321.08	-0.7	7.37	4.88	16.81	68.02	2337.22	2328.92	2323.98	1813.58
45 Electricity (16)	1218.02	-0.1	14.42	5.34	9.04	27.53	1218.85	1204.53	1201.97	0.00
46 Telephone Networks(4)	1538.91	-1.4	9.74	3.94	13.44	28.34	1560.49	1550.07	1543.07	1040.17
47 Water(10)	2386.67	+0.4	17.11	6.45	6.47	118.37	2377.74	2339.90	2304.56	1943.08
48 Miscellaneous (23)	1820.14	+1.5	5.38	5.41	25.77	70.17	1792.76	1793.94	1820.17	1500.58
49 INDUSTRIAL GROUP (481)	1288.33	-0.3	8.37	4.50	14.90	34.81	1292.45	1279.44	1279.84	981.56
51 Oil & Gas (19)	2385.40	-0.8	10.96	5.83	12.05	93.60	2404.81	2413.82	2419.27	2279.62
59 500 SHARE INDEX (500)	1383.12	-0.4	8.69	4.66	14.48	39.49	1388.38	1376.74	1377.49	1087.67
61 FINANCIAL GROUP (91)	780.44	+0.2	–	5.99	–	32.04	778.88	773.51	777.45	655.47
62 Banks (9)	917.10	......	4.54	5.82	41.61	37.46	917.23	910.72	920.18	681.28
65 Insurance (Life) (7)	1455.09	+0.1	–	5.82	–	63.68	1454.05	1435.27	1441.79	1232.39
66 Insurance (Composite) (6)	582.85	+1.6	–	7.53	–	32.94	573.68	567.98	569.20	554.98
67 Insurance (Brokers) (9)	1137.31	+1.5	7.22	5.96	18.12	43.14	1120.94	1109.95	1105.62	880.42
68 Merchant Banks (7)	484.29	+0.9	–	4.36	–	13.08	480.07	479.73	479.18	345.65
69 Property (36)	887.45	-1.1	6.10	5.25	23.31	24.74	896.88	894.55	893.90	906.75
70 Other Financial (17)	255.71	+0.2	11.18	7.19	11.23	11.08	255.16	256.73	257.04	244.41
71 Investment Trusts (70)	1232.12	-0.2	–	3.51	–	28.89	1234.61	1232.06	1229.54	994.10
99 ALL-SHARE INDEX (661)	1238.63	-0.3	–	4.80	–	37.18	1242.37	1232.39	1233.69	982.49

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Oct 30	Oct 29	Oct 28	Oct 25	Oct 24	Year ago
FT-SE 100 SHARE INDEX‡	2566.0	-11.1	2590.1	2565.0	2577.1	2553.3	2558.5	2514.7	2528.3	2028.0

FIXED INTEREST

PRICE INDICES	Thu Oct 31	Day's change %	Wed Oct 30	Accrued interest	xd adj. 1991 to date
British Government					
1 Up to 5 years (27)	122.10		122.10	1.94	10.20
2 5-15 years (28)	134.61	-0.04	134.67	1.62	11.84
3 Over 15 years (8)	144.13	-0.01	144.15	2.53	10.60
4 Irredeemables (6)	156.56	-0.02	156.59	0.02	13.45
5 All stocks (69)	133.05	-0.02	133.08	1.81	11.33
Index-Linked					
6 Up to 5 years (2)	166.39	-0.05	166.48	0.31	3.16
7 Over 5 years (9)	149.15	+0.01	149.14	0.74	3.83
8 All stocks (11)	150.40		150.40	0.68	3.81
9 Debs & Loans (61)	113.61		113.65	1.81	9.26

AVERAGE GROSS REDEMPTION YIELDS		Thu Oct 31	Wed Oct 30	Year ago (approx.)
British Government				
1 Low	5 years	8.56	8.54	10.52
2 Coupons	15 years	9.45	9.44	10.81
3 (0%-7¾%)	20 years	9.45	9.44	10.82
4 Medium	5 years	9.70	9.68	11.44
5 Coupons	15 years	9.58	9.58	11.26
6 (8%-10¾%)	20 years	9.55	9.54	11.16
7 High	5 years	9.98	9.89	11.62
8 Coupons	15 years	9.67	9.67	11.44
9 (11%-)	20 years	9.60	9.60	11.40
10 Irredeemables		9.65	9.65	10.91
Index-Linked				
11 Inflation rate 5%	Up to 5yrs	3.84	3.82	3.99
12 Inflation rate 5%	Over 5 yrs	4.23	4.23	4.35
13 Inflation rate 10%	Up to 5 yrs	3.22	3.19	2.77
14 Inflation rate 10%	Over 5 yrs	4.06	4.05	4.17
15 Debs & Loans	5 years	11.30	11.30	13.39
16	15 years	11.11	11.11	12.86
17	25 years	10.94	10.93	12.49

‡Opening index 2583.2; 9 am 2587.1; 10 am 2583.7; 11 am 2582.0; Noon 2576.0; 1 pm 2579.2; 2 pm 2577.2; 2.30 pm 2574.8; 3 pm 2571.6; 4.10 pm 2565.5 (a) 9.25am (b) 3.46pm ‡ Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, Ibex House, 42-47 Minories, London EC3N 1DY. Tel: 071-702 0991.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	0	47	35
Corporations, Dominion and Foreign Bonds	4	7	9
Industrials	268	282	943
Financial and Properties	110	106	544
Oils	15	19	56
Plantations	1	1	8
Mines	15	47	91
Others	48	54	50
Totals	461	563	1,736

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

● First Dealings Oct. 21
● Last Dealings Nov. 1
● Last Declarations Jan. 23
● For settlement Feb. 3

For rate indications see end of London Share Service

Calls in Burton, Reiners, Sterling Trust, Turriff and WPP 8.25p Conv. Pref. Puts in Manganese Bronze and Maxwell Comm.

LONDON TRADED OPTIONS

[illegible]

UK COMPANY NEWS

Recession hits Thames Water

By Michiyo Nakamoto

THAMES Water, the UK's largest water company, was not immune to the economic downturn and saw only a moderate increase in pre-tax profits in the six months to September 30 as the UK recession reduced meter consumption by industry and commerce.

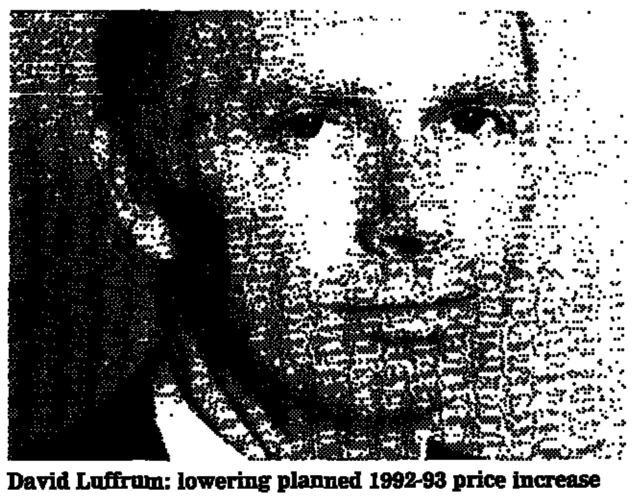
The increase in the taxable surplus of 4 per cent to £118m from a previous £113m was slightly below City forecasts and the shares slipped 2p to 372p.

Investors were also mildly disappointed by the 7 per cent increase in the interim dividend to 6.4p (6p). Earnings per share rose to 28.4p (27.3p).

Mr David Luffrum, group finance director, said that Thames' progressive dividend policy of increases above the rate of inflation was intact for the full year.

He pointed out that the effects of the recession were felt in a 5 per cent fall in metered consumption by industrial and commercial customers.

Overall turnover rose by only 2 per cent to £436m (£427m). In addition, the decision by Thames not to reduce water supplies in spite of experiencing a below-average rainfall for the third year running meant higher operating costs were incurred to ensure that supplies were available, particularly in rural areas.


David Luffrum: lowering planned 1992-93 price increase

Thames was also hit by higher interest charges coupled with lower interest income. The interest charge for the period doubled to £10m (£5m) while interest income halved from £14m to £7m. That was due to the need to draw down on its previous cash surplus and raise £150m to £200m a year to fund its capital expenditure programme to invest an average £400m a year from 1990 to 2000.

Gearing, currently at 10 per cent, would build up over the years but this would not be by an excessive amount, Mr Luffrum emphasised.

A major part of the capital spending programme – the London water ring main, a computer controlled tunnel to supply water to every part of London – was ahead of schedule and the first phase was expected to be completed in 1993.

Thames yesterday also announced a £150m fixed-rate sterling bond issue dated 2001 to fund the company's long-term capital expenditure programme.

Operating profits rose by 20 per cent to £113m as the company had been able to increase prices at a greater rate than operating costs, which was necessary in funding its capital expenditure programme.

Thames was, nevertheless, lowering its 1992-93 price increase from a previously planned level of inflation plus 4.5 per cent to inflation plus 4 per cent.

Mr Luffrum said that "having due regard to recession we felt that it would be a good gesture not to go the full 4.5 per cent."

See Lex

Ross buys Stellar for a maximum of £10.8m

By Michiyo Nakamoto

ROSS GROUP, the acquisitive USM-quoted holding company with interests in electronics and specialist packaging, is doubling in size with the acquisition of Stellar Group for a maximum of £10.8m.

The initial consideration is £8.8m, comprising £2.2m cash and the issue to vendors of new convertible preference shares, ordinary shares and loan notes.

An additional payment up to a maximum of £2m may become payable if Stellar's profits exceed £800,000 in the nine-month period to December 31 1991.

This would be satisfied by the further issue to vendors of convertible preference shares.

Should Stellar's profits fall short of this figure Ross may claw back a cash repayment equal to five times the shortfall, up to a maximum of £2.7m.

The acquisition brings together Stellar Group's electrical products and automotive accessories, particularly car alarms, with Ross's business in headphones and wire harness.

Ross also announced an £11.5m rights issue to fund the cash element of the acquisition, reduce borrowings and inject working capital into Stellar Group.

The 5-for-11 rights issue of 169.29m ordinary shares is being offered at 7.5p per share against a market closing price yesterday of 10p.

In the year to March 31 it reported a pre-tax loss of £2.54m on turnover of £19.63m and had bank borrowings of £5m compared with net assets of £1.8m.

Mr Noel Hayes, group managing director of Ross, expressed confidence in the group's ability to turn Stellar around.

Ross achieved a pre-tax profit of £989,000 in the year to December 31, compared with a pre-tax loss of £485,000 previously.

Polly Peck Intl creditors face lower-than-anticipated pay-out

By David Barchard

CREDITORS of Polly Peck International, the electronics and fruit group which collapsed a year ago with debts of £1.15bn, have been told to expect a lower-than-anticipated initial dividend of only 20p in the pound.

A report published yesterday from the group's administrators to its creditors says that the dividend depends on a voluntary agreement by creditors to scale down their claims.

The administrators, Mr Michael Jordan and Mr Richard Stone of Coopers & Lybrand Deloitte, and Mr Christopher Morris of Touche Ross, also warn that no payment may be possible until details about the fate of a large transfer of money, just before Polly Peck went into administration, have been resolved.

The transfer relates to the routing of Polly Peck funds between different creditors last year and is not related to alleged transfers of money to northern Cyprus, the administrators said last night.

Members of the creditors' committee said yesterday that they were disappointed by the small size of the dividend. Several said they had not yet received the report a day after its publication.

A dividend of 20p would imply that the administrators have been unable to raise more than £260m in cash to pay to creditors.

Though the administrators propose to carry on with their work to salvage the three main Polly Peck subsidiaries and say they will report to creditors at the end of May next year, they could face growing pressure from creditors to cut the process short and place the group in liquidation.

With the exception of PPI Del Monte, all the group's remaining subsidiaries have performed disappointingly in the last year, according to the report. A public offering of a minority stake in the company is planned for 1992.

Sansui, the *Far Eastern* electronics company, had a net loss of £93m in the six months ending June 30, while Vestel, the Turkish consumer electronics company, announced a sharp fall in its profits.

The Antalya Sheraton hotel appears to have made a loss during its first year because of the Gulf war, while no details are available of the performance of the group's subsidiaries in Cyprus.

"The prospects of obtaining a return to PPI creditors from assets in northern Cyprus remain extremely uncertain", warn the creditors.

Meyna, the Turkish fruit and vegetable exporter which was believed to have contributed just over half of Polly Peck's £161m profits in 1989, is operating on a substantially lower scale than reported and is unlikely to make an overall profit in 1991.

European Values receives £52m

By Philip Coggan, Personal Finance Editor

FIDELITY Investments, the fund management group, raised £51.2m for its European Values investment trust, only marginally more than the minimum it expected to receive.

Before the launch of the public offer, Fidelity had been certain to raise £50m. It had placed 21m shares with institutional investors at 100p each and UBS Phillips & Drew had underwritten a further 18.9m shares. In addition, £10m of index-linked loan stock had been issued.

Fidelity had hoped to raise a maximum of £80m, but the public applied for £20.4m of shares, just covering the underwritten element.

Nevertheless, the amount raised makes the offer the third largest investment trust launch this year. The offer was linked to a Personal Equity Plan, and about £12m of the public application came via this route.

Dealing in the shares, which have warrants attached, will start on November 6.

● St David's Investment Trust is aiming to raise £12.75m via a placing and rights offer. It claims to be the first split capital trust to raise new money and extend its life – from 1994 to 1998 – at the same time.

The trust joined the stock market in 1986 as a split with two classes of share, capital and income, placed at 75p and 113p respectively. If the current offer is approved by shareholders, the trust will issue 4.1m new income shares at 150p, by way of rights, and will create a new class of shares, 7m zero dividend preference shares, via a placing at 100p each.

The zero dividend shares will be redeemed at 207p when the trust is wound up in November 1998, a compound annual return of 11 per cent.

ICI benefits from cost cutting

By Paul Abrahams

THE NEWLY reorganised operations of Imperial Chemical Industries reported a mixed bag of third quarter results yesterday.

Demand at the industrial chemicals division, remained poor, with volumes lower throughout the division, according to Mr Colin Short, finance director. Demand in the US, UK, France, Italy and Spain was "stuttering", while in Germany it appeared to be slowing. Conditions in Australia were tough.

He added that the outlook was not too encouraging and difficult to predict.

Margins were being squeezed as prices fell and the cost of raw materials, in particular naphtha, increased.

The only solace, said Mr Short, was that profits had improved because of cost-cutting which was ahead of target. Trading profits for the third quarter were £42m (£40m) out of a group total of £238m (£174m).

The company was, however, pleased with the performance of the pharmaceutical division which posted profits of £147m (£132m).

Although the US patent on ICI's best-selling drug, Tenormin, expired fully in 1993, the company was taking steps to compete effectively against generic manufacturers, he said. Ciba-Geigy, the Swiss group, had already announced plans to sell a generic version.

The speciality chemicals and materials division reported profits up from £23m to £48m. The materials operations remained poor, although losses fell from £26m to £14m. In contrast, the paints operations, which increased profits from £32m to £42m, performed particularly well, said Mr Short.

Paint prices had been maintained and the benefits of cost-cutting, which had been started earlier than in other parts of ICI, were starting to flow through.

Between June and August there had been some increase in demand in the US and UK. This improvement had not been sustained through September, however.

Group turnover increased 2.6 per cent from £2.99bn to £3.07bn. Earnings per share rose 31 per cent from 13.7p to 17.9p.

Total turnover for the nine months was lower at £9.44bn, against £9.82bn, giving pre-tax profits down from £893m to £703m. Earnings per share for the nine months earnings totalled 64.5p, compared with 81.1p.

Investment sales boost J Smart

By Peggy Hollinger

The sale of investments boosted pre-tax profits at J Smart, the Edinburgh-based contractor and property investor, by 18 per cent to £4.44m for the year to July 31.

Mr John Smart, chairman, said he considered the £600,000 gain on the sale of "a substantial part" of the group's investment portfolio as an exceptional item, although it had been included as part of trading profits. The sale consisted entirely of shares.

Without the gain, J Smart's pre-tax profits would have been virtually the same as last year's £3.76m, on turnover down 9 per cent to £15m.

The final dividend is increased from 5.25p to a proposed 5.8p, for a total pay-out of 7.95p (7.2p). Earnings per share rose by 4.71p to 29.29p.

NEWS DIGEST

Glaxo wins FT Analysis award

GLAXO Holdings, the pharmaceutical company, was chosen as Best European Company of 1991 in awards announced last night by FT Analysis, the electronic corporate data publisher owned by the Financial Times.

Analysis ranked all quoted companies across Europe with a market capitalisation of $1bn or more on their performance over three years on such measures as pre-tax profit growth, revenue growth, share price performance, gearing, and current return on equity.

The award for Best British Company went to Harland Simon Group, of Milton Keynes, which makes control systems for continuous-process factories. It was chosen from 2,000 UK listed companies on the basis of five-year performance.

Other awards went to Seton Healthcare, of Oldham, Lancashire (Best New Company); Bombyx Mori Designs, of Sudbury, Suffolk (Young Business of 1991); Brake Brothers, of Ashford, Kent (Best Family Controlled Company); Jeff Randall of the Sunday Times (Financial Journalist 1991); and Anita Roddick, managing director of Body Shop (Outstanding Entrepreneur).

Gresham House loss exceeds expectations

As foreshadowed at the annual meeting, Gresham House, the investment trust which concentrates on property and small unquoted companies, showed continued losses in the half year to June 30. But they were worse than the market expected and the shares closed at 33p, down 7p on the day.

From a pre-tax profit of £117,000 the group plunged into losses of £2.61m, after higher interest charges and provisions.

Mr Alfred Stirling, chairman, said the board *anticipated further losses in the second half.*

The net asset value of the shares has fallen back to about 74p against 130p at the December 31 year-end.

Net losses of £2.63m (£167,000 profits) leave a loss per share of 61.9p (3.9p earnings). There is no interim dividend (3p).

Anglo St James £0.5m in the red

Anglo St James, formerly Anglo-Park Group, property owner and dealer, announced a £490,000 pre-tax loss for the six months to June 30, compared with profits last time of £472,000.

These are the second interim results for the 18-month period to December following the change of year-end. Mr Jeffrey Green, chairman, said they reflected a further period of extremely adverse conditions in the commercial property market.

Losses per share worked through at 4.8p (5.1p earnings) and accordingly no dividend is being paid. Turnover amounted to just £174,000 (£2.92m).

In May the group completed the merger with St James Estates, previously an associate.

Profits warning hit Faber Prest shares

Shares in Faber Prest, the industrial services and distribution group, tumbled nearly 15 per cent to 205p yesterday as the group warned that pre-tax profits for the year to September 30 would be sharply lower than analysts' £4m forecasts.

Mr Roger Feaviour, who became chief executive in September, said exceptional charges arising from reorganisation would total between £1m and £2m, while extraordinary losses on sales of non-core businesses would be about £2m.

Analysts cut pre-tax forecasts for the year to £2.4m. The results are due in December.

Warnford Invs advances 27%

Interim pre-tax profits rose 27 per cent at Warnford Investments, property owner and dealer. Directors said there had been no significant changes in the second half and after-tax revenue for the period was expected to show a substantial improvement.

Pre-tax profits for the six months to June 24 were £4.18m (£3.3m) from gross rents and service charges of £6.26m (£5.65m).

After tax of £1.31m (£1.27m) and minorities of £5,000 (£4,000) earnings per share came out at 7.45p (5.28p). The interim dividend is raised to 2.75p (2.5p).

Citibank declares interest in MCC

Citibank, the US bank, announced that it had a security interest in 3.8 per cent of the shares in Maxwell Communication Corporation, the publishing company controlled by Mr Robert Maxwell.

It had a non-beneficial interest in 25m MCC shares, and the Citibank UK pension fund had a beneficial interest in a further 77,100 shares.

The interest in the shares is believed to be security for loans to companies controlled by Mr Maxwell.

Goldman Sachs and Morgan Stanley have also recently declared that they held a security interest in the shares of Maxwell companies.

Derwent back in profit with £0.4m

Derwent Valley Holdings, the property investment company, swung from losses of £197,000 to profits of £425,000 pre-tax for the half year ended June 30.

Rental income increased from £2.3m to £3.2m. The share of losses of associates was cut to £243,000 (£421,000) but net interest charges rose to £1.73m (£1.35m).

Earnings per share worked though at 3p (losses 3.1p) after tax of £195,000 (£44,000). The interim dividend is raised to 2.9p (2.75p).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Delyn Group ....int	0.45	Nov 29	0.45	-	1.45
Derwent Valley ....int	2.9	Dec 6	2.75	-	8.25
Gresham House ....int	nil	-	3	-	3
Ingham ....int	1	Dec 4	1	-	3
Ramus Holdings ....fin	0.1	Jan 16	nil	0.1	1.5
Silvermines ....int	1♣	-	1.5	-	4
Smart (J) ....fin	5.8	Dec 16	5.25	7.95	7.2
Thames Water ....int	6.4‡	Feb 7	6	-	17.5
Warnford Invs ....int	2.75	Apr 6	2.5	-	7

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ♣Irish currency. ‡Scrip option.

MONTHLY AVERAGES OF STOCK INDICES

	October	September	August	July
Financial Times				
Government Securities	86.79	87.16	85.64	84.72
Fixed Interest	98.65	96.23	94.57	93.82
Ordinary	1979.1	2053.9	2027.3	1953.2
Gold Mines	168.8	158.9	173.4	206.8
SEAQ Bargains(4.45pm)	26,924	29,551	28,389	27,891
F.T.-Actuaries				
Industrial Group	1288.80	1307.39	1278.77	1240.52
500 Share	1387.17	1404.24	1379.99	1342.48
Financial Group	797.50	835.80	824.49	788.08
All-Share	1245.25	1286.20	1244.33	1208.52
FT-SE 100	2580.9	2622.2	2600.5	2530.1
FT-SE Eurotrack 100	1086.13	1115.00	1108.77	1107.24

	Highest Oct. close	Lowest Oct. close
Ordinary	2037.9 (2nd)	1929.3 (25th)
All-Share	1275.62 (1st)	1218.26 (25th)
FT-SE 100	2645.8 (1st)	2514.7 (25th)
FT-SE Eurotrack 100	1105.95 (1st)	1086.32 (10th)

UK COMPANY NEWS

Whitbread pays £50m for Dominic

By Roland Rudd

WHITBREAD yesterday became the largest specialist drinks retailer in the UK by acquiring the Dominic Group from Grand Metropolitan for £49.5m.

The acquisition includes a five-year supply agreement with GrandMet's drinks company, International Distillers and Vintners.

The addition of 667 new outlets to its Thresher drinks retailing chain boosts Whitbread's total number of UK stores to 1660.

Mr Peter Jarvis, Whitbread chief executive, said the acquisition would give Thresher a much better balanced geographical spread across the UK.

Whitbread was the only major brewer to increase its pre-tax profits this year, from £265.7m to £291.5m. The managed retail estate, which includes the group's food, drink and leisure retailing, increased its profits by 7 per cent to £128.7m.

Mr David Tagg, GrandMet's main board Director responsible for property and UK retailing said he was particularly pleased with the arrangement covering the supply of IDV's strong portfolio of brands.

He added: "We have strategically reshaped GrandMet's retailing activities. In the UK, we are concentrating on Chef & Brewerand the Inntrepreneur Estates."

Internationally, GrandMet will continue to develop its two major retailing brands – Burger King and Pearle Optical. The Dominic Group employees will transfer to Whitbread on existing terms and conditions.

Alarm bells ring over company news shake-up

By Richard Waters

"IT IS important that information is accurate and everyone gets it at the same time. We wouldn't want the quality to diminish."

That comment, from the Association of British Insurers, summed up the nervousness felt by many investors yesterday over the coming shake-up in the way company news finds its way to stock market investors.

The providers of the information that drives stock market prices, as well as the recipients, were cautious as news of the changes broke. "What we want to make sure is that no false markets are created," said the Investor Relations Society. "It could result in an unseemly scramble."

The source of their shared concern: the fact that the Stock Exchange's "yellow book" rules, or listings agreement, will be changed from the start of January so that companies are no longer required to release announcements to the Exchange before making them available to commercial news vendors.

At present, the Exchange says it takes 10-12 minutes on average to verify that a company announcement is genuine, to write a headline which summarises the import of the announcement, and to release the information to commercial news vendors such as Reuters and Extel.

Announcements are not checked in detail to make sure they comply with the Exchange listing agreement. The Exchange's own commercial news service, Topic, is given the information at the same time as others.

In future, companies will be able to give the announcement to news vendors at the same moment they give it to the Exchange's company announcements office, though they will be under no obligation to do this.

That will give Reuters and others the chance to get information out on their news services first – and sell more terminals as a result.

Concerns expressed yesterday fall into two camps. First, pressure to react quickly will force news companies to put out information which they have failed to authenticate. The dissemination of "hoax" announcements could cause chaos in the market.

News companies reply, though, that it is in their own commercial interests to put out only genuine information.

The second concern is that the extra competition will force investors to subscribe to a wider range of screen services to ensure that they do not miss news which is going to their competitors first. That may not trouble large investment houses, but is less welcome to smaller ones which rely entireley on Topic, the Stock Exchange's commercial news and share price service.

The response of the news vendors: the US already lives quite happily with a system similar to the one to be introduced by the UK next year.

The New York Stock Exchange, however, is told 10 minutes ahead of an announcement that news is about to be released (though not what the news is), and reserves the right to call a trading halt in a company's shares.

London, which prides itself on providing a continuous market, could find itself forced to follow suite.

Macarthy confident of beating bid

By Andrew Bolger

MACARTHY, the retailer and drugs manufacturer, was confident last night it had escaped a takeover attempt from the least welcome of its three suitors.

The company believes the all-paper offer from Grampian Holdings, the Scottish mini-conglomerate, which values Macarthy at £83m and closes today, will be rejected.

Concern about the distribution of prescription drugs caused an £88m recommended bid for Macarthy by Lloyds Chemists and a lower offer from UniChem to be referred to the Monopolies Commission.

Neither Lloyds nor UniChem can bid again until after the MMC investigation concludes in mid-January.

Grampian shares last night closed 3p higher at 202p, which makes its offer worth 296.96p per Macarthy share. Macarthy shares closed 2p lower at 266p, but analysts believed the growing gap between the offer and market price of Macarthy shares reflected the belief that Grampian would not succeed.

Grampian yesterday rejected suggestions by Macarthy that the bidder had failed to obtain the required shareholder approval to create new shares for its offer.

Macarthy's biggest shareholder, John Govett, the fund manager, has said it would not sell its 18.26 per cent stake but would wait the outcome of the MMC inquiry. Lloyds, which has 9.9 per cent, has also rejected the offer.

Ritz Design allows chairman time to pay during sale talks

By Richard Gourlay

Ritz Design, the supplier of underwear and blouses to Marks and Spencer, yesterday said it would delay pressing Mr Michael Bancroft, the former chairman, for repayment of nearly £650,000 which he had used for "unauthorised personal expenditure".

Advisers to the Cheshire-based company said the board did not want to disrupt negotiations to sell the company.

Ritz hoped the negotiations would be concluded in the near future.

Mr Bancroft, who owns 21 per cent of Ritz, was due to repay by yesterday the money which an Inland Revenue investigation discovered he had spent on personal property and holidays among other items.

Mr Bancroft resigned in June with Mr Tony Cartwright, the finance director.

Ritz said it would not press Mr Bancroft for repayment until the outcome of sale negotiations was known.

Agreement on a sale is expected to be reached before the end of November.

GPA begins $250m bond issue

By Roland Rudd

GPA HAS begun the process for its issuing of public bonds by a preliminary filing with the US Securities and Exchange Commission to raise up to $250m (£145m).

It will be the first public offering by the private Shannon-based aircraft leasing group, whose flotation is scheduled for next year.

If the issue is oversubscribed GPA, also known as Guinness Peat Aviation, may raise up to another $150m. The group does not have to make a firm decision about the full amount until the final prospectus is published later this year.

GPA is planning to keep its options open about issuing further bonds next year.

The filing by GPA, through GPA Delaware, a US subsidiary, specifies that the guaranteed loan notes will become due for repayment in 1998.

Merrill Lynch is registering the issue with the SEC, and with Goldman Sachs and Salomon Brothers, will market the issue in December.

GPA could have continued to raise money through its commercial paper programme, medium-term notes and bank loans. About $2bn has been raised by these ways over the past nine months.

However, it believes it will get better terms by widening the number of institutions involved in its debt programme.

GPA, which has credit facilities of about $7bn, has an estimated $2.8bn of debt against $1.1bn of equity. It also has another $1bn off-balance sheet debt associated with its joint-ventures.

The board decided in March 1990 to consider a simultaneous flotation in Britain, America and Japan, with which it hopes to go ahead in June 1992.

Furniture disposal at Dean & Bowes

Dean & Bowes Group, the specialist interior refurbisher, has disposed of Country Seat, its furniture maker, for £370,000 including some inter-company debt. The purchaser has assumed responsibility for debts of about £96,000.

The effect on Dean & Bowes' balance sheet will be to reduce debt by £466,000.

Serco calls for £9.7m and sees 21% profits rise

By Peggy Hollinger

Serco, which manages support services for public sector and commercial clients, yesterday announced a £9.7m rights issue and forecast a 21 per cent rise in profits for the year to end-December.

The group, which came to the market three years ago at 230p, has launched a 1-for-4 cash call at 450p to fund further expansion and provide working capital. Its shares fell back initially, but rallied to close just 3p down at 547p.

Mr David Perkins, finance director, said the group's "predictable profits base" had allowed the forecast to be made with some certainty. Serco provides management services based on long-term contracts for the peripheral activities of customers such as the Ministry of Defence and Marks and Spencer.

Profits were forecast to increase from £4.3m to at least £5.2m. Earnings per share, adjusted for the rights issue, are predicted to rise from 26.1p to 30.2p.

Mr Perkins said the final dividend was likely to be 8p, giving a 13 per cent increase in the total to 12p.

About a third of the proceeds from the issue will be used to meet working capital requirements. The rest would go towards acquisitions.

Group debt stood at just over £2m before the cash call, and gearing was 36 per cent.

COMMODITIES AND AGRICULTURE

Norsk Hydro cuts aluminium output

By Karen Fossli in Oslo and David Blackwell

NORSK HYDRO Aluminium, a unit of Norsk Hydro, Norway's biggest privately-quoted company, yesterday became the latest company to cut production in the face of mounting world stocks of aluminium. It will reduce annual output of primary aluminium by 7.5 per cent annually, which amounts to about 45,000 tonnes.

On the London Metal Exchange the price of aluminium for delivery in three months rose to more than $1,200 a tonne on the news in early trading, but the rise immediately attracted more selling. Three-month aluminium closed yesterday at $1,188.50 a tonne, a rise of $7 on the day.

The Norsk Hydro decision follows several other companies that have been forced to react to the imbalance of supply and demand in aluminium. Two weeks ago Alcan of Canada, the second biggest producer outside the former Soviet Union, said it would cut production by 8.5 per cent, or an annual 143,500 tonnes. Late last week Hoogovens, the Dutch company, said it was cutting production by 10 per cent at its two smelters, and earlier this week Inespal of Spain said it was considering a 22 per cent reduction.

However, the cuts are still not enough, according to most analysts. Mr Angus MacMillan of Billiton-Enthoven Metals said yesterday that while the cuts were a step in the right direction, they were being seen as too little too late.

"We are still waiting for someone to seriously bite the bullet," he said.

Hydro explained that its decision comes as a result of a current imbalance between supply and demand in the international market, a high level of world-wide inventories and current low aluminium prices.

Mr Tor Steinum of Norsk Hydro Aluminium said that with aluminium prices on the LME at current levels most production has become unprofitable.

"We don't think that this level of prices will last for a long time but because of the time lag between prices and production, the current price level will affect our production until at least early next year," Mr Steinum explained.

The cut involves potlines at the company's four smelters in Norway. Hydro said that employees affected by the production cutback would be transferred to other jobs.

Production at Hydro's aluminium fabrication and semi-fabrication facilities would not be affected by the cut in primary aluminium production, however.

Deliveries to customers would also go unaffected.

In early October Hydro charged NKr100m against accounts for the restructuring of its manganese activities which resulted in the closure of a production line which has an annual capacity of 19,000 tonnes.

In the third quarter of this year Hydro's light metals division suffered an operating loss of NKr61m compared with an operating profit of NKr235m a year earlier. Operating revenue in the period fell to NKr3.96bn from NKr4.09bn in last year's corresponding period.

THE RELENTLESS advance of aluminium stocks at London Metal Exchange warehouses led the board of the exchange to change regulations yesterday and allow aluminium to be stored in the open, writes David Blackwell.

LME warehouse stocks of aluminium have grown by about 600,000 tonnes in the last 12 months. At the close on Monday they stood at a record 761,725 tonnes, of which almost 550,000 tonnes are held at Rotterdam.

Asked if warehouses were already storing aluminium out in the open against LME regulations, Mr David King, the exchange chief executive said: "We have been concerned about some storage practices which we now think have been resolved."

The LME had sought the advice of the aluminium industry which commonly stores metal outside, Mr King said. The LME has decided that aluminium can be left in the open only if there is no warehouse space available; the warehouse company accepts responsibility for security; the outside facilities have been visited by LME staff; and the metal is covered by tarpaulin.

Analysts said yesterday that the move could attract yet more aluminium, now held off-warrant, to the LME.

Estimate of Soviet grain crop is reduced

By Our Agriculture Staff

THIS year's Soviet grain crop is estimated at 180m tonnes by the International Wheat Council, compared to its September forecast of 187m and with last year's crop of 229.7m tonnes.

In its latest grain market report, published yesterday, the IWC has left unchanged its estimate of Soviet wheat and coarse grain imports in 1991-92 (July to June): 19m tonnes and 16m tonnes respectively, compared with actual imports of 14.4mt and 11.4mt the previous season.

The IWC harvest figures are considerably higher than those released earlier this week by Goskomstat, the USSR State Statistics Office. A spokesman put total production at 160mt excluding the Baltic States' 5mt. But it appears that different bases of comparison have been used. Grain analysts say the Soviet figure is probably after cleaning and drying whereas the IWC figure is the bunker weight.

In a special section on Soviet export credit and assistance involving grain, the IWC says that a tacit agreement exists on burden-sharing of Soviet credit allocations between the leading industrial nations. "None wishes to assume a disproportionate share of the total credit risk," the IWC says.

Over recent months the USSR had abandoned its role as a cash buyer of grain and now sought to cover its import requirements with credit arranged by supplying countries. Most of these had granted aid by instalments, although some countries demanded that the Soviets repay all existing debts before receiving new credits.

The IWC notes that "triangular transactions" could form a significant proportion of total assistance to the Soviet Union. The EC, for example, is to make credits available for the purchase and shipment of farm commodities from Eastern Europe to the Soviet Union. Some Ecu 500m-625m in credit could be involved. There are reports that Japan may adopt a similar policy.

In a table detailing credit assistance and barter deals involving grain and food products, the USSR (or its component parts) is shown as having negotiated deals with some 13 countries, including France, Germany, Italy and Spain, the US, China and Yugoslavia.

Credits extended by some major exporting countries also include freight costs, recent examples are US$90m from the EC and $200m from the US.

● The UK Agriculture Ministry announced that Britain's 1991 grain harvest amounted to 22.7mt.

Gengold chief confident about prospects for gold in 1990s

By Philip Gawith in Johannesburg

MR GARY MAUDE, one of South Africa's senior mining executives, yesterday sketched a bullish outlook for gold in the 1990s, but also warned of possible threats to the South African gold industry in the form of political interference.

Mr Maude, managing director of Gengold, the gold arm of mining house Gencor, said at a conference yesterday that the price had to go up in the decade because with gold demand at 2,000 tonnes per annum there was the prospect of an undersupply.

Mr Maude's optimism is shared by by Mr Kennedy Maxwell, head of the gold and uranium division at Johannesburg Consolidated Investment (JCI), who said earlier this week that he believed a "major, major market" was developing for gold in China and South East Asia which would lend support to the price. Using 1990 figures, Mr Maxwell said some 400 tonnes of gold were available for investment purposes (the gap between supply and fabrication demand), and believed increased demand from the East would close the gap.

Although Mr Maude did not put a figure on how high he thought the gold price would rise, he did predict that for a medium-large gold mine to be started in South Africa today, a level of $650 an ounce would be required to make it viable. He said he didn't believe gold from leaching deposits would contribute more than a constant 5-600 tonnes per annum of gold in future years. The huge upsurge in gold from leaching deposits during the 1980s was an important factor in driving up the supply of gold during the decade which contributed to a weak gold price.

Mr Maude noted that the South African gold industry is in much better shape now than a year ago. Then 17 per cent of gold mined, and 22 per cent of the workforce, was at risk from mines closing. At the June quarter gold price of R32,695 per kg, those figures had dropped to below 5 and 7 per cent respectively.

He warned, however, that the industry's profitability could be seriously jeopardised by excessive state control under a future government. Mr Maude said one danger was the belief that a weak rand was good for the country because it boosted export revenues. He noted that the tight monetary policy of the Reserve Bank had been the catalyst for improving the industry's health.

He also expressed concern about the prospect of the state *imposing expensive* requirements onto the mines. He cited areas such as safety equipment, rehabilitation, manning levels, retrenchment benefits and medical expenses as being "decisions that need to be made by the people who can understand that you can only spend a limited amount of money on 'nice-to-have's'."

Speaking at the same conference, Mr Cyril Ramaphosa, secretary general of the ANC and previously general secretary of the National Union of Mineworkers, said business should "pack in the front row to end inequality of economic opportunity." He said the issue of nationalisation would be "prominent" when the ANC released its economic policy early next year.

Bauxite producers widen horizons

Canute James on moves to extend aluminium consumption worldwide

IN THE West African state of Guinea, aluminium consumption last year was 1.5 lb per capita. Guinea produces bauxite, the ore from which aluminium is made. In the Ivory Coast, which does not produce the ore, aluminium consumption last year was 4.5 lb per capita.

Getting most of the countries in West Africa, and other parts of the developing world, to lift their consumption of aluminium to the level of the Ivory Coast is one of the aims of a current effort of the International Bauxite Association.

The producers' group, which has as its members the world's leading producers of the ore, has concluded that by encouraging greater consumption of the metal, it will lift demand for bauxite and increase its members' income from the industry.

According to Mr Al Francis, the IBA's director of economics, the organisation has identified four areas in which it believes the consumption of the metal could be successfully encouraged.

"There is potential for growth in consumption in Latin America and the Caribbean, West Africa, South East Asia and the Pacific, and Oceania," said Mr Francis. "We have checked the capacity for producing fabricated products in these regions, and we have determined what demand is projected, and whether the capacity is adequate. We have found, for example, that West African demand will continue to outstrip capacity."

The disparity in consumption between Guinea and the Ivory Coast is common to the other regions being studied by the IBA. Consumption in the Dominican Republic last year was 1.7 lb per capita, against 3.5 lb per capita in Trinidad and Tobago.

In South America, Colombian consumption was 1.3 lb per capita against 5.9 lb per capita in Brazil. The Philippines consumed a half a pound per person against 45.8 lb in Singapore, while in the Indian sub-continent, including Nepal, the Maldives and Bhutan, the largest per capita consumer was India, with 1.1 lb per capita.

According to the IBA, the effort to increase aluminium consumption has also been stimulated by structural changes that have taken place in the industry over the past two decades due mainly to reduced consumption and higher energy costs.

The association says that in the 1980s aluminium consumption fell by just over 1 per cent per year, mainly because of lower rates of industrial growth, competition from substitutes, more recycling and lower rates of aluminium in the composition of some products. It says output from traditional producers has fallen, and the slack has been taken up by newer producers with cheap energy, such as Australia, Brazil, Canada, Norway, Venezuela and the Middle East.

"One of the strategic responses of the IBA to these structural changes has been to seek to promote aluminium consumption especially in member countries, regional groupings to which member countries belong and in other areas with low per capita aluminium consumption as a means of increasing demand for bauxite, alumina and aluminium from IBA member countries," the association says.

But efforts to get increased aluminium consumption in the developing world will have to confront a fundamental consistency in the market for the metal – that consumption grows with economic development, and is high in industrialised economies and low in others.

The IBA itself points to the fact that high per capita consumption levels have been realised in the newly industrialised economies – Singapore, Hong Kong, Republic of Korea – and in oil rich states such as Saudi Arabia and Bahrain. It says higher rates of consumption are expected in some Latin American states such as Brazil, Argentine and Mexico.

Mr Francis explains that with the help of agencies attached to the United Nations, such as the UNDP and Unido, efforts were being made to determine the demand for products fabricated from aluminium in the four regions.

The IBA has concluded that aluminium consumption in parts of the developing world can be encouraged through the development of fabricating facilities, which will be tailored to manufacturing aluminium products needed by these markets.

It says that while studies have shown that the west African region is deficient in aluminium fabricating facilities, the Asean group has suffered from a duplication of fabricating facilities that was now the subject of rationalisation by regional producers.

"There are sectors in which the consumption of aluminium could be increased in developing countries," explained Mr Francis.

"There is scope for greater use of aluminium in the transmission of electricity, the use of aluminium cables, aluminium cans for beverages, and greater use in the construction industry.

"But the use of aluminium is accepted as being somewhat expensive so some regions may not be able to use the material, while other regions have a potentially good market."

US sugar producers seek Gatt exemption

By Nancy Dunne in Washington

US SUGAR producers, arguing that farm trade proposals in the Uruguay Round will put them out of business, have asked the Bush Administration to seek a special exemption for sugar from any reforms agreed in the Gatt talks.

Congressmen Jerry Huckaby, a Louisiana Democrat and Congressmen Bill Emerson, a Missouri Republican, say a 30 per cent cut in supports in both the EC and US would bring the US support price to 15 cents. That is below the average cost of production for US sugar producers.

Although EC producers would have a larger cut in real terms – from 30 to 21 cents – their supports would still be higher.

It is pleas like this the Bush Administration will have to face if farm trade reform is agreed in the Uruguay Round, and "the losers" among US producers call for continued government protection.

The two congressmen released a study comparing US and EC sugar regimes, which found that the EC sugar programme cost the Community close to $1bn while the US programme actually generated revenue for the US government.

The study put the EC support price in 1989-90 at 30.01 cents a pound compared to 21.24 cents a pound in the US. Excluding the returns from "C" sugar which the EC dumps on the world market, would bring the EC support price to 32.40 cents a pound.

"The EC sugar regime is sometimes described as being entirely producer-financed, but this is not the case," the study said. "EC budget data reveals that the cost of the sugar regime – for export refunds, storage refunds, and other costs – exceeds producer payments by a significant amount.

"The estimated deficit for 1989 was 734m Ecus ($976m)."

Venezuelan crude output up

By Joe Mann in Caracas

VENEZUELA'S production of crude oil during the first half of this year averaged 2.47m barrels per day (b/d), the highest level since 1976, according to Venezuela's national oil company, PDVSA.

This figure, which is 225,000 b/d more than the average for full-year 1990, includes actual crude output of around 2.3m b/d, plus production of condensates and natural gas liquids.

The government was obliged to boost output - and exports - due to softer-than-expected world oil prices.

In preparing its budget for calendar year 1992, Venezuela's central government recently projected average crude production next year at 1.95m b/d, at an average export price (for crudes and refined products) of US$19.00 per barrel.

Taxes and royalties paid by the national oil company, PDVSA, provide a major share of the government's income.

Venezuela's exports of crude and refined products for the first half of this year averaged 2.06m b/d, 182,000 b/d above the 1990 average and the highest level since 1979. The average export price for the six-month period was $16.69 per barrel, well below the government's target of $19.00 per barrel.

Call for 19 more environmentally sensitive areas

By Our Agriculture Staff

ANOTHER 19 environmentally sensitive areas should be established to protect valuable British landscapes from the depredations of intensive agriculture, the UK government's official adviser on the countryside maintains.

The Countryside Commission says that priority should be given to seven new ESAs on Dartmoor and Exmoor in the west country and the Lake District, Peak District, Northumberland moorland and the Yorkshire Dales.

WORLD COMMODITIES PRICES

MARKET REPORT

Nickel prices closed sharply higher on the LME yesterday after Canadian producer Falconbridge said that it plans to announce production cuts at its Sudbury mining operations and at its Nikkelverk nickel-copper refinery in Kristiansand, Norway. "We will make an announcement hopefully by the end of the day and at least within the next 48 hours," the company said. Copper prices were steady after Wednesday's break above the long standing $2,280 to $2,330-a-tonne range. Unrest and political uncertainty in Zaire, elections in Zambia and continuing labour problems at the Highland Valley copper mine in Canada encouraged cautious trading. Three-month lead fell below the recent low of £310 a tonne, triggering sell-stops. On the London bullion market gold retreated in dull trading. Dealers said some of the earlier selling seemed to come from Switzerland. The market appeared slightly vulnerable. Prices were not visibly *affected by news Russian* President Boris Yeltsin proposed setting up an independent state bank in his republic using Soviet gold and hard currency resources. London's robusta coffee prices recovered most of earlier losses by the close after January at one stage fell by £26 on technical factors.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$18.65-8.70z	+.125
Brent Blend (dated)	$22.05-2.10	+0.10
Brent Blend (Dec)	$21.95-2.00	+0.10
W.T.I. (1 pm est)	$23.25-3.35z	-.025

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$240-242	
Gas Oil	$217-218	+2
Heavy Fuel Oil	$86-88	-0.5
Naphtha	$214-217	-1.5
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$357.8	-1.65
Silver (per troy oz)♣	409.0c	-2.25
Platinum (per troy oz)	$361.5	-0.9
Palladium (per troy oz)	$86.5	
Copper (US Producer)	112.0c	-0.23
Lead (US Producer)	37.83	+0.03
Tin (Kuala Lumpur market)	14.83r	
Tin (New York)	256.0	-1.0
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	105.03p	-0.66*
Sheep (dead weight)†	110.52p	+1.62*
Pigs (live weight)†	74.91p	-0.21*
London daily sugar (raw)	$230.9j	-1.6
London daily sugar (white)	$288.0j	-0.5
Tate and Lyle export price	£241.0	-2
Barley (English feed)	£117	
Maize (US No. 3 yellow)	£141.0	
Wheat (US Dark Northern)	£101	
Rubber (Dec)♥	52.75p	
Rubber (Jan)♥	52.50p	
Rubber (KL RSS No 1 Nov)	225.5m	
Coconut oil (Philippines)§	$605.0	+20
Palm Oil (Malaysian)§	$360.0u	+7.5
Copra (Philippines)§	$385.0z	+2.5
Soyabeans (US)	£151.5	-0.5
Cotton "A" index	65.85c	-0.25
Wooltops (64s Super)	383p	

£ a tonne unless otherwise stated. p-pence/kg c-cents/lb r-ringgit/kg q-Nov/Jan t-Sep/Dec u-Nov x-Nov/Dec y-Dec/Jan z-Dec j-Oct/Nov. †Meat Commission average fatstock prices. * change from a week ago ♥London physical market §CIF Rotterdam ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Dec	203.20	201.00	200.00 197.00
Mar	198.20	197.80	198.00 194.00
May	197.20	196.80	198.00 193.80
Oct	200.00	200.00	197.00

White	Close	Previous	High/Low
Dec	288.9	288.0	288.5 284.5
Mar	286.0	285.0	286.0 281.5
May	284.4	284.5	284.4 280.5
Aug	286.9	285.5	287.5 282.0
Oct	267.5	260.5	265.0 257.5
Dec	265.0		262.5 256.7
Mar	267.0		258.0 257.7

Turnover: Raw 301 (397) lots of 50 tonnes. White 1421 (1608)
Paris- White (FFr per tonne): Dec 1631.63, Mar 1629.23

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Dec	21.98	21.78	22.00 21.75
Jan	21.74	21.54	21.75 21.57
Feb	21.48	21.32	21.48 21.34
Mar	21.22	20.95	21.22
IPE Index	21.76	21.70	21.79 20.79

Turnover 19300 (19311)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Nov	216.50	216.75	217.25 214.50
Dec	218.00	218.25	218.25 216.00
Jan	215.50	216.00	216.00 214.75
Feb	207.00	207.75	207.25 207.00
Mar	199.75	199.50	199.75 199.00
Apr	192.25	192.50	193.25 192.25
May	185.60	186.00	185.75 185.00
Jun	181.50	181.25	182.00 181.25

Turnover 9000 (10142) lots of 100 tonnes

INDICES

REUTERS (Base: September 18 1931 = 100)

Oct.31	Oct.30	mnth ago	yr ago
1652.0	1654.4	1604.7	1725.7

DOW JONES (Base: Dec. 31 1974 = 100)

	Oct.30	Oct.29	mnth ago	yr ago
Spot	114.08	113.91	118.14	125.03
Futures	123.34	123.77	124.56	127.88

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Dec	739	738	741 733
Mar	783	783	782 772
May	806	804	808 800
Jul	832	826	831 825
Sep	853	849	854 846
Dec	875	876	879 870
Mar	898	899	902 897
Jul	932	931	933
Sep	944	950	951 948

Turnover: 2047 (15695) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Oct. 30 938.62 (923.27) 10 day average for Oct. 31 937.49 (938.38)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Nov	522	530	527 504
Jan	541	547	548 525
Mar	545	555	557 535

Turnover 6653 (6462) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Oct. 30: Comp. daily 64.14 (63.73) 15 day average 63.62 (63.44)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
Nov	86.0	85.5	85.0
Apr	129.8	127.8	129.8 128.5

Turnover 99 (80) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Dec	131.00	131.50	131.00
Aug	129.00	129.50	129.00
Oct	132.50	134.50	132.50

Turnover 53 (55) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low
Nov	1698	1689	1695 1690
Dec	1698		1698 1690
Jan	1715	1715	1715 1705
Apr	1720	1709	1720 1715
BFI	1655	1650	

Turnover 128 (323)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low
Nov	117.75	117.65	117.75 117.40
Jan	121.55	121.45	121.55 121.20
Mar	124.65	124.60	124.60 124.25
May	127.60	127.30	127.50 127.30

Barley	Close	Previous	High/Low
Nov	113.90	113.70	113.80 113.70
Jan	117.60	117.40	117.70 117.40
Mar	120.50		120.45 120.10

Turnover: Wheat 174 (246), Barley 92 (48).
Turnover lots of 100 tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Jan	99.0	98.0	98.0 98.0
Feb	103.0		103.0 102.0
Mar	108.0		108.0
Apr	109.0		109.0 108.0
May	110.0		110.0 109.0
Jun	110.0		110.0

Turnover:71 (20) lots of 3,250 kg

MGMI – London FOX

	Close	Prev.	High	Low	Vol
Indx	134.81	134.75			

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 28,742 lots
Cash	1160-61	1150-1	1156/1155.5	1155.5-56		
3 months	1188-89	1179-80	1208/1184	1183.5-84	1187-8	131,566 lots
Copper, Grade A (£ per tonne)						Total daily turnover 24,175 lots
Cash	1377.5-8.5	1377-9	1374/1373	1373-74		
3 months	1367-7.5	1367.5-8.0	1367.5/1362	1362.5-63	1363-4	104,703 lots
Lead (£ per tonne)						Total daily turnover 1,287 lots
Cash	296-7	299.5-300	297	297-7.25		
3 months	307-8	311.5-12	310/307	308.5-9	306-7	12,349 lots
Nickel ($ per tonne)						Total daily turnover 2,258 lots
Cash	7460-70	7370-80	7398	7395-98		
3 months	7500-10	7420-25	7525/7440	7446-50	7515/7525	17,182 lots
Tin ($ per tonne)						Total daily turnover 1,233 lots
Cash	5535-45	5520-27		5555-58		
3 months	5600-05	5590-95	5625/5600	5610-15	5600-05	5,351
Zinc, Special High Grade ($ per tonne)						Total daily turnover 5,020 lots
Cash	994-5	993.5-4.5	994	993-4		
3 months	1013-14	1013-4	1061/1013	1012-13	1013-14	26,560

LME Closing £/$ rate:
SPOT: 1.7435 3 months: 1.7224 6 months: 1.7056 9 months: 1.6874

LONDON BULLION MARKET
(Prices supplied by N.M.Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	357.60-358.00	
Opening	358.40-358.80	
Morning fix	357.40	205.402
Afternoon fix	357.45	205.727
Day's high	358.50-358.80	
Day's low	357.00-357.30	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.85	6 months	4.49
2 months	4.65	12 months	4.41
3 months	4.55		

Silver fix	p/fine oz	US cts equiv
Spot	235.00	409.00
3 months	241.05	414.20
6 months	246.75	419.20
12 months	256.85	430.60

GOLD COINS
(Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	357.50-358.50	205.75-206.25
Maple leaf	367.50-368.50	211.50-212.00
New Sovereign	87.50-88.50	50.25-50.75

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Dec	Mar	Dec	Mar
1100	83	121		8
1900	23	60	47	57
1300	3	25	126	119
Copper (Grade A)	**Calls**		**Puts**	
2250	135	125	7	46
2350	61	72	32	91
2450	19	38	89	154
Coffee	**Jan**	**Mar**	**Jan**	**Mar**
500	47	55	8	10
550	18	28	27	31
600	5	11	64	66
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
725	28	81	14	23
750	16	65	27	32
775	8	52	44	44
Brent Grade	**Dec**	**Jan**	**Dec**	**Jan**
2200	21		29	37
2250	7			
2300		11		

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Nov	358.1	359.0	0	0
Dec	359.5	360.5	360.2	358.8
Jan	360.9	361.9	0	0
Feb	362.1	363.2	362.5	361.6
Apr	364.6	365.8	364.8	364.1
Jun	367.1	3368.4	367.9	367.0
Aug	369.9	371.2	0	0
Oct	372.6	373.9	0	0
Dec	375.6	376.9	375.0	375.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	365.5	365.2	365.3	363.5
Apr	368.9	368.6	368.5	367.0
Jul	372.5	372.2	372.5	372.5
Oct	379.3	379.0	379.5	379.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Nov	409.0	409.4	409.0	407.5
Dec	410.6	411.3	414.0	407.5
Jan	412.5	413.1	413.0	409.0
Mar	418.9	417.6	420.5	414.0
May	420.9	421.7	422.0	421.0
Jul	424.7	425.6	423.5	423.5
Sep	429.0	430.0	0	0
Dec	435.4	436.5	435.0	434.0
Jan	437.8	439.0	0	0
Mar	442.3	443.5	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	108.40	108.00	107.70	106.40
Dec	106.60	107.95	107.70	106.50
Jan	105.80	106.70	0	0
Feb	104.85	105.85	0	0
Mar	104.10	105.15	105.15	104.20
Apr	103.55	104.55	0	0
May	102.85	103.85	103.85	102.90
Jun	102.40	103.60	0	0
Jul	102.00	103.05	0	0
Aug	101.65	102.65	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	8.98	9.00	8.99	8.82
May	8.89	8.89	8.89	8.72
Jul	8.86	8.85	8.86	8.73
Oct	8.83	8.85	8.83	8.78
Mar	8.80	8.72	8.80	8.80

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Dec	23.27	23.11	23.30	23.11
Jan	23.05	22.92	23.09	22.91
Feb	22.82	22.69	22.83	22.69
Apr	22.27	22.17	22.28	22.17
May	22.05	21.95	22.02	21.98
Jun	21.79	21.76	21.82	21.79
Jul	21.68	21.60	21.67	21.63
Aug	21.44	21.47	21.53	21.53
Sep	21.44	21.36	21.42	21.37

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Nov	6850	6836	6850	6800
Jan	6995	6968	6995	6940
Feb	6830	6812	6835	6790
Mar	6515	6487	6515	6480
Apr	6235	6202	6235	6190
May	6010	6002	6010	5990
Jun	5880	5872	0	0
Jul	5840	5822	5840	5815
Aug	5840	5857	5840	5840

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1206	1188	1210	1185
Mar	1269	1247	1270	1246
May	1300	1282	1305	1286
Jul	1338	1311	1338	1314
Sep	1384	1339	1380	1347
Dec	1403	1378	1405	1388
Mar	1433	1410	0	0
May	1455	1433	0	0
Jul	1473	1453	0	0
Sep	1500	1478	1485	1479

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	80.55	82.30	82.60	80.25
Mar	84.60	86.15	86.60	84.60
May	87.20	88.75	88.90	87.20
Jul	90.15	91.50	91.85	90.50
Sep	92.50	94.50	94.60	92.50
Dec	96.00	96.75	96.00	96.00
Mar	99.50	100.75	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Dec	61.38	63.12	61.56	60.72
Mar	62.85	63.81	63.20	62.38
May	63.31	63.97	63.70	62.95
Jul	64.05	64.15	64.20	63.55
Oct	64.16	65.37	64.30	63.95
Dec	64.30	0	64.40	64.05

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	165.00	166.50	168.25	164.25
Jan	168.50	169.80	169.10	167.70
Mar	168.60	169.60	169.00	168.00
May	168.80	169.45	168.80	168.25
Jul	167.80	168.20	0	0
Sep	167.05	167.20	0	0
Nov	157.05	157.25	0	0
Jan	156.65	156.85	0	0
Mar	156.65	156.85	0	0

FRUIT & VEGETABLES
Homegrown Cox apples are this week's best fruit buy at 40-75p a lb depending on size reports the FFVIB. Apples remain a good buy with many varieties in the shops including French Golden Delicious at 50-60p a lb, Granny Smith at 50-65p a lb and English Spartan at 48-55p a lb. Spania grapes are very good value for money at 50-60p a lb along with pomegranates at 15029p each. Pumpkins at 20-25p a lb are superb this week. Sweetcorn continues to be a best vegetable at 28-40p cob with carrots at 15-20p a lb. Exotic lettuces are this week's top salad choice with curly Endive at £1.20-1.50 each.

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	558/0	552/4	566/6	556/4
Jan	567/0	563/6	574/6	566/0
Mar	575/0	572/6	583/0	574/0
May	583/6	581/2	591/0	583/0
Jul	590/2	589/6	597/6	589/4
Aug	591/0	591/0	596/0	591/0
Sep	584/0	584/0	587/0	583/0
Nov	584/0	586/0	588/0	583/0
Jan	595/0	596/0	0	0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	19.39	19.23	19.63	19.35
Jan	19.57	19.42	19.80	19.51
Mar	19.87	19.75	20.13	19.84
May	20.11	20.03	20.43	20.10
Jul	20.40	20.34	20.72	20.40
Aug	20.55	20.48	20.85	20.55
Sep	20.70	20.62	20.95	20.70
Oct	20.65	20.62	20.60	20.70
Dec	21.00	20.90	21.00	21.00
Jan	21.20	0	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	184.2	183.3	185.8	183.5
Jan	181.8	181.1	183.7	181.2
Mar	179.7	179.5	181.4	179.3
May	177.1	177.3	179.0	177.0
Jul	177.4	177.2	178.5	177.0
Aug	177.0	176.6	178.4	177.0
Sep	177.5	177.2	178.0	176.5
Oct	186.2	186.7	187.0	185.5
Dec	187.2	187.5	188.0	186.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	251/0	251/2	254/4	250/6
Mar	259/2	260/0	262/6	258/4
May	265/0	265/6	268/0	264/6
Jul	268/6	269/6	271/6	268/4
Sep	258/0	259/4	260/6	258/0
Dec	254/0	255/2	256/0	254/0
Mar	261/2	262/4	263/0	261/2

WHEAT 5,000 bu min, cents/60lb-bushel

	Close	Previous	High/Low	
Dec	364/0	359/4	366/2	358/2
Mar	361/4	358/2	364/2	358/0
May	343/0	340/6	346/4	340/0
Jul	324/2	325/2	327/4	324/0
Sep	327/0	329/0	332/4	327/0
Dec	339/0	338/4	341/4	339/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	73.50	74.35	74.57	73.30
Feb	74.22	74.52	74.77	73.75
Apr	74.25	74.57	74.75	74.00
Jun	71.40	71.80	71.80	71.40
Aug	69.75	70.02	70.20	69.75
Oct	70.60	70.70	70.70	70.50
Dec	71.60	71.60	0	0

LIVE HOGS 40,000 lb, cents/lbs

	Close	Previous	High/Low	
Dec	41.72	41.65	41.95	41.62
Feb	42.30	42.07	42.45	41.90
Apr	40.47	40.27	40.62	40.20
Jun	45.35	45.40	45.55	45.22
Jul	45.45	45.55	45.60	45.35
Aug	44.20	44.40	44.30	44.00
Oct	40.80	40.85	40.90	40.80

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	41.47	42.15	42.70	41.25
Mar	41.40	42.07	42.45	41.10
May	42.60	43.47	43.70	42.30
Jul	43.55	44.07	44.00	42.80
Aug	41.52	41.90	42.45	41.52

LONDON STOCK EXCHANGE

Nervous selling depresses share prices

By Terry Byland, UK Stock Market Editor

DISCOURAGING comments on business prospects from ICI, the key blue chip stock of the London market, bruised confidence yesterday as traders awaited last night's important speech from Mr Norman Lamont, UK chancellor of the exchequer. An early gain of 13 Footsie points in UK equities was replaced by a loss of similar proportions in the second half of the session, when turnover increased as investors decided to take some of this week's paper profits ahead of the chancellor's speech.

There was little immediate response to the Queen's Speech, spelling out government plans for the next session of the UK parliament. Water and electricity shares closed firmly in spite of proposals to reinforce regulation over privatised utilities.

Account Dealing Dates		
First Dealings:		
Oct 14	Oct 28	Nov 11
Option Declarations:		
Oct 24	Nov 7	Nov 21
Last Dealings:		
Oct 25	Nov 8	Nov 22
Account Day:		
Nov 4	Nov 18	Dec 2

*New-time dealings may take place from 8.30 am two business days earlier.

By the close, the FT-SE Index was showing a loss of 11.1 on the day at 2,566.0. This leaves a gain of about 2 per cent on UK share prices since last Friday, reflecting increased confidence that the UK economy is showing some signs of recovery. However, ICI yesterday reported little sign of significant improvement in trading conditions in most of its important markets.

After opening higher following a firm performance from Wall Street overnight, equities peaked early at Footsie 2,590.1. However, institutional interest was fitful and the 2,600 mark was clearly more than the market would take at present. The Footsie future December contract also abandoned the 2,600 territory.

The market tried to steady after ICI announced a decline of around 21 per cent in nine-month profits but sentiment was progressively dampened as City analysts took a closer look at the figures and then at the accompanying statement from the boardroom. When Wall Street came in lower, to show a fall of 10 Dow points in UK hours, the London market gave further ground.

Seaq-reported volume increased to 630.8m shares from the 515.4m of the previous session. Stock Exchange statistics showed that customer, or retail, interest in equities slipped to £960.3m on Wednesday and traders believed that the institutions played a subdued role yesterday.

Part of the setback in the Footsie could be ascribed to the fall in ICI shares, to profit-taking in SmithKline Beecham and to further weakness in the blue chip oil issues. Concern over the profits outlook continued to unsettle BP and Shell.

The prevailing nervousness on Wall Street, which in turn reflects uncertainty over the outlook for the US economy, is still a discouraging factor for London, according to Mr Richard Lake, chart strategist at broker Hoare Govett.

Ultramar, at present the subject of a takeover bid from Lasmo, made little move following the resignation of the chairman and several key directors.

Profits were taken yesterday in several stocks which have performed strongly this week, notably Reed International which rose strongly on Wednesday after indicating some signs of economic recovery. But the stock market keenly awaited reports of the UK chancellor's speech in the City of London last night.

The strongest exception to the trend came in Reuters shares, which rose sharply after the UK regulatory authority announced that competition is to be allowed in the reporting of corporate news in the London stock market.

FINANCIAL TIMES STOCK INDICES

	Oct 31	Oct 30	Oct 29	Oct 28	Oct 25	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	86.92	86.96	86.87	86.50	86.40	80.26	87.84 (15/8)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.94	96.74	96.64	96.40	96.33	88.97	97.17 (2/10)	90.59 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share ●	1962.3	1978.7	1954.0	1961.3	1929.3	1572.1	2108.3 (2/8)	1606.3 (16/1)	2108.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	164.4	165.5	169.8	169.6	172.6	170.6	222.8 (11/7)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2566.0	2577.1	2563.3	2558.5	2514.7	2028.0	2679.6 (2/9)	2054.8 (16/1)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1158.30	1161.91	1156.40	1153.60	1143.21	-	1198.60 (3/9)	938.62 (16/1)	1198.60 (3/9/91)	938.62 (16/1/91)
●Ord. Div. Yield	4.81	4.86	4.91	4.91	4.78	6.08				
●Earning Yld %(full)	7.62	7.52	7.61	7.59	7.57	12.67				
●P/E Ratio(Net)(☆)	16.47	16.68	16.50	16.53	16.50	9.66				
SEAQ Bargns 4.45pm	26,202	25,339	25,373	24,863	26,962	19,458				
Equity Turnover(£m)†	-	960.29	1004.01	714.55	1011.23	658.12				
Equity Bargains†	-	23,743	23,612	23,290	26,659	17,875				
Shares Traded (ml)†	-	448.0	457.8	374.6	434.3	345.6				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 15.55

Ordinary Share Index, Hourly changes Day's High 1987.2 Day's Low 1962.2

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1982.1	1984.6	1982.7	1980.8	1971.8	1973.4	1969.8	1965.7	1963.5

FT-SE 100, Hourly changes Day's High 2590.1 Day's Low 2565.0

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2583.2	2587.1	2583.7	2582.8	2576.0	2579.2	2577.2	2571.6	2568.8

FT-SE Eurotrack 200, Hourly changes Day's High 1163.22 Day's Low 1157.11

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1163.22	1162.01	1161.83	1159.97	1161.27	1161.03	1158.33

GILT EDGED ACTIVITY

Indices*	Oct 30	Oct 29
Gilt Edged Bargains	112.3	141.8
5 - Day average	111.6	107.6

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share Index: Tel. 0898 123001

Demand for Reuters

NEWS THAT the UK government is to permit competition for the London Stock Exchange's news service, Topic, gave Reuters shares an upward push.

The company is seen as well-placed to provide an alternative service. Last month it introduced a product designed for Topic customers. After the rules are relaxed – by January 1, 1992 at the latest – it will have the same access to company news. "This sounds the death knell for the Topic service," said Mr Brian Newman of broker Henderson Crosthwaite.

Reuters climbed 22 to 962p. Turnover was heavy for the stock at 1.2m shares, the highest for a month.

ICI disappoints

The market was slow to respond to nine-month figures from ICI, but by the end of the trading session the verdict was clearly one of disappointment.

Analysts said the 21 per cent decline in profits to £703m was towards the bottom of the range of expectations. Traders were drawn to the downbeat statement from the company. Sir Denys Henderson, the chairman, said there was "little sign of any significant improvement in trading conditions in most of our major markets".

The shares did not fall sharply but instead lost a few pence each hour until, by the end of the session, they were showing a loss of 16. The closing price was 1271p. Trading volume was an above average 1.2m shares.

Ultramar firm

A belief that senior-level resignations at Ultramar may force Lasmo to raise its bid for the oil company, helped the former to harden a penny to 344p and prompted a fall of 7 to 318p for Lasmo.

Nomura Securities oils analyst Mr Alan Marshall said there had been whispers that Ultramar might implement such a boardroom shuffle but he added that it might be "too little, too late".

The oil majors continued to weaken, with BP dipping 4½ to 327½p on heavy turnover of 8.2m and Shell losing 5 to 507p. BP was affected by concern over a meeting the company held with analysts yesterday afternoon to discuss changes to its insurance policy. It is intending to cover risks up to \$10m (£5.8m) rather than \$500m, arguing that 99 per cent of all problems fall within the \$10m level.

Bears such as Mr John Toalster of Strauss Turnbull argue that the company is being short-sighted and says: "I just do not think BP needs to increase its risk exposure." Bulls such as Mr Rod Maclean of UBS Phillips & Drew argue that the oil company has done its homework properly and will save a great deal of money. However, Mr Maclean also cut his estimate for third-quarter replacement profits, due on November 7, by £106m to £215m.

Observers believed that the flotation for Jardine Insurance Brokers (JIB), for which applications for shares ended yesterday morning, will be heavily oversubscribed. The company has share capital of 110m shares at 195p each but is offering only a third. Of the 33m offered half are being offered to institutions, 1.5m to employees and only about 5m to the public. Trading in the shares begins on November 7 and one observer argued that they could, depending on the volatility in the market, open at a 10 per cent premium.

BAT Industries stood out among large capitalisation stocks yesterday as the shares climbed 14 to 634p. BAT has lost ground steadily for four months and yesterday broker James Capel changed its recommendation on the stock from weak hold to buy. Capel said the bad news concerning Farmers, the company's California insurance operation, was now in the price.

Marketmakers reported good institutional demand for the stock and turnover reached 3.9m, the highest daily total for almost a month.

A line of 500,000 shares hanging over British Vita was said to have been behind a fall of 11 to 239p in the share price.

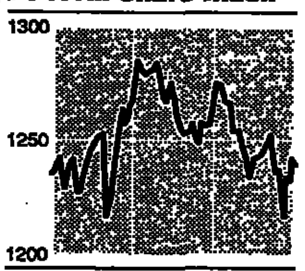
Utilities were firm in spite of the statement in the Queen's Speech to parliament that the government would reinforce regulation over the privatised utilities.

However, Thames Water was a weak spot as the results came in "mildly disappointing", according to one analyst. The shares eased 2 to 372p.

Optimism after Wednesday's interim results from Marks and Spencer helped two of the retailers' textile suppliers. Claremont Garments firmed 8 to 213p and Courtaulds Textiles gained 7 to 418p.

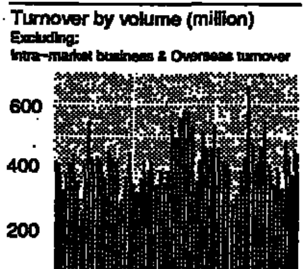
One of the UK's few quoted holiday tour operators, Airtours, jumped 27 to a new high of 812p. The latest rise from a stock that is among the year's best performers in the entire market came as Euro Disney appointed the company as a "Selected Tour Operator" to the Euro Disney resort near Paris. The resort is due to open on April 4 next year.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



Among television contractors, TVS, which is to lose its broadcasting licence, slumped another 3¼ to 5p. The shares were trading at 38p three weeks ago and at 116p in 1989.

The stores sector continued to take succour from Marks and Spencer's good results, released on Wednesday. Traders said the prospect of a pre-Christmas rally in the sector encouraged some investors to commit themselves early.

Among the leaders, Kingfisher rose 8 to 565p, W.H. Smith climbed 10 to 466p and Dixons added 5 at 250p. Second liners showed even sharper gains. Etam moved ahead 16 to 245p, Next 3 to 60¼p and Ratners 4 to 80p.

Marks and Spencer itself marked time after the heady gain of the previous day's trading. The shares were in positive territory for most of the day but ended unchanged on the overnight level at 291p after modest turnover.

Among aerospace and engineering stocks the spotlight fell on Dowty Group as suggestions of a bid from Smiths Industries again did the rounds with renewed vigour. Several analysts, however, doubted such a development.

Lucas Industries and German group Daimler-Benz were also mentioned. Dowty added 13 at 184p as turnover swelled to 5.6m, with Swiss buying interest noted. Smiths Industries eased 8 to 250p while Lucas closed 4 down at 135p.

Commercial Union continued to receive support from a buy note published by Strauss Turnbull and the shares were strong in early trading but eased to end only 2 up at 478p.

There was strong buying of Royal Insurance on recovery hopes and the shares gained 9 to 305p on turnover of 3.8m.

Barry Wehmiller closed a penny firmer at 142½p after reporting a 76 per cent take-up of its £12m rights issue. The rump was successfully placed with institutions at just over 140p by joint brokers Albert E. Sharp and Warburg Securities.

BBA fell 8 to 146p on reports of a downgrading by Cazenove, which was believed to have shaved current year profits estimates by £6m to £51m and next year's by £5m to £65m. GKN eased 10 to 330p, weakened by the BBA downgrading. FR Group gained 8 to 188p on takeover speculation, while NFC eased 4 to 213p on fears of a profits downgrading.

The UK's largest petrol retailer, Frost, had a successful first day on the stock market. The new issue shares had been priced at 235p but began trading at 245p, and by the end of the day, when there had been 8.4m shares dealt, the price had risen to 270p.

Trafalgar House gained on brokers' buy notes, jumping 11 before settling to close 4 up at 246p. A buy note published by Smith New Court earlier in the week was boosted by a recommendation from UBS Phillips & Drew. Mr James Ritchie of UBS said the conglomerate's debts would be down to £200m in December as against £275m in September, and gearing would be reduced from 35 per cent to 25 per cent.

Norcros lost 8 to 145p on speculation that S.G. Warburg had cut the forecast for full-year profits by £7m to £13m. Warburg was unable to comment. Heavy turnover of 4.6m shares in Norcros was largely accounted for by Smith New Court taking a line of 1.6m shares from one institution and placing it with another.

A cash call from Serco, the task management contractor, found an enthusiastic reception. The shares fell 15 just before the issue was announced but recovered to close at 547p, just 3 down on the day. Serco announced a one-for-four rights issue of 2.2m new ordinary shares at 450p per share to raise approximately £9.7m.

MARKET REPORTERS:
Daniel Green,
Peter John, Joel Kibazo,
Jim McCallum.

■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 29.

Page 29.

NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (70).
CORPORATION LOANS (1) GLC 6¾pc '90-92, AMERICANS (1) Hasbro, BANKS (2) Schroders, Standard Chartered, BREWERS (3) Fuller, Guinness, Do. 5¾pc Cnv. Prf., BUILDINGS (2) Polypipe, Smart (J), CHEMICALS (2) Porvair, Yule Catto, STORES (9) Austin Reed A, Body Shop, Brown (N), Etam, Lloyds Chemists, Do. 7.5p Cnv. Prf., Marks & Spencer, Next, Sears, ELECTRICALS (5) Borland, Kembrey, Life Sciences, Prestwick, Do. 7¼pc Cnv. Prf., ENGINEERING (1) Bullough, FOODS (1) Brake Bros., INDUSTRIALS (13) BH Prop., Betterware Consumer Prods., Bodycote Intl., Boxmore Intl., Glaxo, London Intl., Ross, Seton Healthcare, Sidlaw, Sinclair (Wm.), Unilever N/V, Wassall, Worcester, INSURANCE (4) American General, Lloyd Thompson, Lowndes Lambert, Skandia, LEISURE (3) Campari Intl., Grampian TV A, Owners Abroad, MOTORS (1) FR, NEWSPAPERS (3) EMAP, News Corp, News Intl., PAPERS (1) St. Ives, PROPERTY (1) Slough Estates 8pc Cnv. 2003, TEXTILES (2) Claremont Garments, Leeds, TRANSPORT (3) Air London, London & O'seas. Frtrs., Tibbett & Britten, TRUSTS (8) Abtrust Scotland, Baillie Gifford Japan, Edinburgh Fd. Managers, F & C Smaller Co's., Grahams Rintoul, St. David's, OILS (4) Evergreen Res., Global Natural Res., Intl. Petroleum, Pittencrieff, PLANTATIONS (1) Bertram, MINES (1) St. Barbara.
NEW LOWS (36).
CANADIANS (1) ECO BUILDINGS (4) Conder, Grafton, Ward Group, Westbury, STORES (1) Partridge Fine Arts, ELECTRICALS (1) Burnfield, FOODS (1) Ashley, INDUSTRIALS (10) Baris, Bioplan, Davies (DY), Fenner, Hanson Wrrnts., Linton Park, RPS, Shanks & McEwan, Sterling Inds., Wiltshire Cnv. Prf., INSURANCE (1) Alexander & Alexander, LEISURE (4) TSW, TVS Entertainment, Do. 7.4p Cnv. Prf., Thames TV, MOTORS (1) Jacks (Wm), NEWSPAPERS (2) Gardner (DC), Mirror, PROPERTY (1) Bredero, TRANSPORT (1) All Nippon Airways, TRUSTS (1) Topdanmark, MINES (1) Western & Pacific Res.

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ADT	10	470	+2	Cookson	435	125	-2	Lucas	2,300	135	-4	Severn Trent Water	1,700	336	
ASDA Group	18,000	42		Courtaulds	533	475	-7	MB Caradon	753	345	+1	Shell Transport	2,200	507	-5
Abbey National	3,600	273	-3	Dalgety	283	374	-4	MEPC	539	456	-11	Siebe	554	514	-14
Albert Fisher	4,200	86	-1	De La Rue	210	469		Manweb	588	307	+3	Slough Ests	197	249	+1
Allied-Lyons	1,100	600	-4	Dixons	3,300	250	+5	Marks & Spencer	3,500	291		Smith (W H) A	842	466	+10
Amstrad	1,900	37	+1	ECC Group	361	475	-5	Maxwell Comms.	5,500	145		Smith & Nephew	1,900	133	-2
Anglian Water	116	388	+1	Eastern Elect.	538	245	+4	Midland Bank	3,400	241	+4	SmKl Beecham	2,000	791	-16
Argos	904	326	+3	East Midland Elect	271	257	+3	Midlands Elect.	970	268	+5	SmKl Beecham Uts	370	[illegible]	[illegible]
Argyll Group	2,500	278	+1	Enterprise Oil	2,900	534		NFC	825	213	-4	Smiths Inds.	401	250	-8
Arjo Wiggins	1,000	269	+5	Eurotunnel Units	94	428	-6	NatWest Bank	1,500	321	-3	Southern Elect.	1,800	257	+5
Ass. Brit. Foods	86	457	-6	FKI	1,700	72	+4	National Power	6,600	157½	-3½	South Wales Elect.	180	319	+4
BAA	807	445	-3	Ferranti	1,800	7		Next	9,500	60½	+3	South West Water	680	336	+1
BAT Inds.	3,900	634	+14	Fisons	1,900	455	-7	North West Water	2,700	387	+5	South West. Elect.	197	251	-10
[illegible]				[illegible]				[illegible]				[illegible]			
British Gas	6,400	260		Hillsdown	1,300	187	-3	Rentokil	43	359	-3	Unigate	618	317	
British Land	874	300		IMI	468	240	-2	Reuters	1,200	962	+22	Unilever	861	800	-7
BP	8,200	327½	-4½	ICI	1,200	1271	-16	Rolls Royce	5,200	139		United Biscuits	1,600	375	-9
British Steel	8,100	119	-1	Inchcape	918	380	-9	Rothmans	165	1128	-3	Utd. Newspapers	1,600	408	+7
British Telecom	7,100	382	-6½	Kingfisher	2,600	563	+8	Ryl Bk Scotland	1,100	179	-4	Vodafone	1,400	384	-1
Bunzl	4,100	94	-3	Ladbroke	3,500	258		Royal Insurance	3,800	305	+9	Wellcome	400	781	-9
Burmah Castrol	160	563	-4	Land Securities	1,700	466	-7	Saatchi	15,000	13¼	+½	Welsh Water	692	368	+1
Burton	20,000	48	-½	Laporte	54	673	-10	Sainsbury	2,700	395	+1	Wessex Water	297	397	+2
Cable & Wire.	788	564	-6	Legal & General	3,000	379	+9	Scottish & New.	227	388	-5	Whitbread 'A'	986	456	-1
Cadburys	1,600	405	-6	Lloyds Abbey	343	388	+3	Scot Hydro-Elect.	1,500	112	-1	Williams Hldgs.	937	330	+1
Calor Group	721	245		Lloyds Bank	2,800	395	+4	Scottish Power	8,800	108½	-1	Willis Corroon	859	300	+4
Carlton Comms.	360	518	+4	LASMO	480	318	-7	Sears	2,700	102½	-½	Wimpey	1,000	161	-2
Coats Viyella	930	182	-1	London Elect.	432	282	+3	Sedgwick	1,100	251	+6	Yorkshire Elect.	580	295	+6
Comm. Union	773	478	+2	Lonrho	783	244	-2	Seaboard	112	266	+3	Yorkshire Water	656	380	+6

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

RECENT gains in the Footsie futures evaporated as the market digested the downbeat statement that accompanied ICI's third-quarter figures, writes Joel Kibazo.

The December Footsie future had opened firm helped by a better-than-anticipated close on Wall Street and traded at a premium of about 20 above the index until the mid-morning statement from ICI.

Then, December traded around its fair value premium of 26 and often dipped lower. At the official close, it was 2,585, down 44 on the previous session and some 7 points below fair value. Turnover of 5,840 was well down on Wednesday's high figure.

Sentiment in the traded options was also poor with volumes down on the previous session and profit-taking the order of the day.

BZW was reported to have been a heavy seller of the December Footsie options.

The Euro FTSE Index took the honours for the day's most-traded option. It traded 2,120 lots. This was followed by Asda in which some 2,021 contracts were traded, followed by Amstrad which traded 1,840 contracts.

Trafalgar House, Sears and Glaxo were also busy. Total turnover was a mere 22,773 lots.

LONDON SHARE SERVICE

BRITISH FUNDS

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
99⅝	96⅞	Treas. 8pc 1991	99⅝	.....	8.03	10.24
101½	100½	Treas 12¾pc 1992‡‡	100½	.....	12.69	[illegible]
100⅛	97⅞	Treas 10pc 1992	99⅞	.....	10.01	[illegible]
133⅝	125⅞	Treas. 2pc IL 1992‡‡	133⅝	.....	2.05	[illegible]
99¼	95⅞	Treas. 8pc 1992‡‡	99⅛	.....	8.07	[illegible]
100⅜	98½	Treas 10½pc Cv 1992‡‡	100⅛xd	.....	10.47	[illegible]
96⅝	91⅞	Treas. 3pc 1992	96⅞	.....	3.10	[illegible]
102⅜	100¼	Exch. 12¼pc '92	101¼	.....	12.04	[illegible]
104⅝	102⅜	Exch 13½pc 1992	103⅛	.....	13.10	9.76
98⅜	94	Treas 8¼pc 1993	98¼	.....	8.40	9.60
100¼	97⅛	Treas 10pc 1993‡‡	100⅜	.....	9.96	9.68
104¼	102⅝	Treas 12½pc 1993‡‡	104⅛	.....	12.00	9.72
95⅛	89⅝	Funding 6pc 1993‡‡	95⅛	.....	6.31	8.83
108⅛	105⅝	Treas 13¾pc 1993‡‡	107⅛xd	.....	12.81	9.76
97⅞	92⅞	Treas. 8½pc 1994	97⅝	.....	8.71	9.66
111⅝	108⅛	Treas 14½pc 1994‡‡	109⅞	.....	13.22	9.74
109	105⅝	Exch 13½pc 1994	108⅛	-⅛	12.49	9.77
101⅛	96⅞	Treas. 10pc Ln. 1994‡‡	100⅞	.....	9.93	9.70
107¼	103⅝	Exch. 12½pc 1994	106½	-⅛	11.74	9.78
98⅞	93¼	Treas 9pc 1994‡‡	98¼xd	-⅛	9.16	9.70
106⅞	102⅜	Treas 12pc 1995	106¼	-⅛	11.31	9.73
89	82¼	Exch 3pc Gas 90-95	88¼	.....	3.39	6.72
102⅜	96⅞	Exch. 10¼pc 1995	101⅞	-⅛	10.09	9.71
110⅞	105⅝	Treas 12¾pc 1995‡‡	109⅞xd	-⅛	11.62	9.78
114⅝	109⅞	Treas. 14pc '96	113⅞	-⅛	12.33	9.97
99⅞	92⅞	Treas. 9pc 1992-96‡‡	99⅛	-⅛	9.08	9.26
119⅞	115⅞	Treas 15¼pc 1996‡‡	118⅞xd	-⅛	12.83	9.95
112⅞	108	Exch 13¼pc 1996‡‡	112⅛xd	-⅛	11.83	9.90
		Five to Fifteen Years				
101⅞	95⅞	Conversion 10pc 1996	101⅛xd	-⅛	9.89	9.71
101⅞	97¼	Do. 10pc 1996 B	100⅞xd	.....	10.11	9.71
114⅞	108⅞	Treas 13¼pc 1997‡‡	113⅞	-⅛	11.68	9.88
103⅞	97¼	Exch 10½pc 1997	103⅛	-⅛	10.18	9.72
96⅞	89⅞	Treas 8¾pc 1997‡‡	96⅛	-⅛	9.11	9.64
123⅛	117	Exch 15pc 1997	122	-⅛	12.30	10.03
100⅞	93⅞	Exch. 9¾pc 1998	100	-⅛	9.75	9.73
88⅞	80⅝	Treas 6¾pc 1995-98‡‡	88⅞	-⅛	7.64	9.18
128⅞	121⅜	Treas. 15½pc '98‡‡	127⅞	-⅛	12.15	9.91
111⅞	104⅝	Exch. 12pc 1998	110⅞xd	-⅛	10.83	9.85
100⅞	92⅞	Treas 9½pc 1999‡‡	99⅞	-⅛	9.54	9.58
113⅝	105⅞	Exch. 12¼pc 1999	112⅞	-⅛	10.90	9.86
104⅞	97⅞	Treas. 10½pc 1999	104⅛xd	-⅛	10.09	9.74
103⅝	95⅞	Conversion 10¼pc 1999	102⅞xd	-⅛	9.98	9.77
97⅞	89⅝	Conversion 9pc 2000‡‡	96⅞	-⅛	9.30	9.58
118⅞	110½	Treas. 13pc 2000	117½	-⅛	11.06	9.94
103⅝	94⅞	Treas 10pc 2001	101⅞	-⅛	9.82	9.69
119⅞	113⅞	Treas. 14pc '98-01	118⅞xd	-⅛	11.77	10.01
101⅞	92⅞	Treas 9¾pc 2002	100⅞	-⅛	9.71	9.67
104⅞	94⅞	Treas 10pc 2003	102⅞	-⅛	9.77	9.66

BRITISH FUNDS—Contd

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
111	102	Treas. 11½pc 2001-04	109⅞xd	-⅛	10.48	9.89
62⅞	53⅞	Funding 3½pc '99-04	61	.....	5.74	8.61
100⅞	90⅞	Conversion 9½pc 2004	98⅞	-⅛	9.61	9.64
60⅞	57⅞	Cv 9½pc 2004 A (£60pd)	58⅞	-⅛	9.61	9.64
[illegible]						
		Over Fifteen Years				
[illegible]						
93⅜	84⅝	Treas 8½pc 2007‡‡	[illegible]			
129⅛	118⅞	Treas. 13½pc '04-08	[illegible]			
98	88⅞	Treas. 9pc 2008‡‡	[illegible]			
89⅜	80	Treas 8pc 2009	[illegible]			
97⅞	88⅜	Conv 9pc Ln 2011‡‡	[illegible]			
98⅛	91⅞	Cnv. 9pc 2011 A	[illegible]			
66	58⅞	Treas. 5½pc 2008-12‡‡	[illegible]			
85⅞	76⅞	Treas. 7¾pc 2012-15‡‡	[illegible]			
125⅛	113⅞	Exch. 12pc '13-'17	[illegible]			
		Undated				
41¼	37⅞	Consols 4pc	[illegible]			
37⅜	33⅞	War Loan 3½pc‡‡	[illegible]			
60⅞	57⅜	Conv. 3½pc '61 Aft	[illegible]			
30⅞	28¼	Treas. 3pc '66 Aft	[illegible]			
26⅞	23¼	Consols 2½pc	[illegible]			
26⅜	23⅞	Treas. 2½pc	[illegible]			
		Index-Linked (b)			(1)	(2)
122⅞	115⅞	Treas. 2pc '94 (102.9)	[illegible]			
176⅞	168⅞	Do. 2pc '96 (67.9)	[illegible]			
145⅞	137⅞	Do 2½pc '01 (78.3)	[illegible]			
140⅞	133	Do. 2½pc '03 (78.8)	[illegible]			
143	135	Do. 2pc '06 (69.5)	[illegible]			
130⅞	124⅞	Do. 2½pc '09 (78.8)	[illegible]			
135	128⅞	Do. 2½pc '11 (74.6)	[illegible]			
111⅞	105⅞	Do. 2½pc '13 (89.2)	[illegible]			
118⅞	113⅞	Do. 2½pc '16 (81.6)	[illegible]			
113⅞	109½	Do. 2½pc '20 (83.0)	[illegible]			
95⅞	91⅞	Do. 2½pc '24‡‡ (97.7)	[illegible]			

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for February 1991: 130.9 and for September 1991: 134.6.

INT. BANK AND O'SEAS

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
107⅞	95⅞	African Dv Bk 11¼Ln 2010	105⅞	-⅛	10.50	10.38
102⅞	91⅞	Asian Dev Bk 10¼pcLn2009	100⅞	-⅛	10.17	10.14
116⅛	105⅞	Int-Am Dev Bk 12½pc 2003	114⅞	-⅛	10.93	10.28
97⅞	86⅞	Do. 9¼pcLn 2015	95⅞	-⅛	10.18	10.22
[illegible]						

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

[illegible]

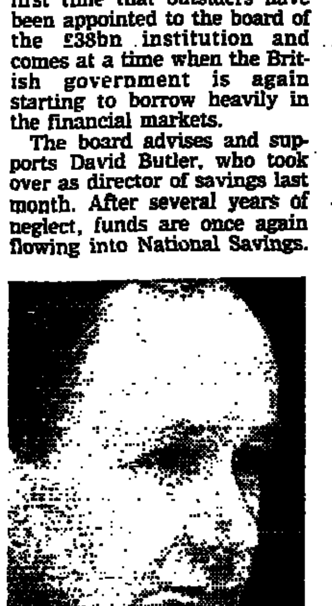
Continued on next page

APPOINTMENTS

Poachers turned gamekeepers

Mark St Giles (below) and Roy Heape, two leading figures in the UK unit trust industry, have been appointed non-executive members of the NATIONAL SAVINGS MANAGEMENT BOARD. It is the first time that outsiders have been appointed to the board of the £38bn institution and comes at a time when the British government is again starting to borrow heavily in the financial markets.

The board advises and supports David Butler, who took over as director of savings last month. After several years of neglect, funds are once again flowing into National Savings.



An outflow of £1.7bn in 1989/90 was turned into an inflow of £1.4bn in 1990/91 and in the first six months of the current year another £1.3bn net has been added.

Both St Giles and Heape have spent a considerable time in the unit trust industry – which is one of National Savings' keenest rivals. If, for instance, the next election should bring a change of government competition from National Savings could intensify.

The 50-year-old St Giles, who first made his name as a fund manager with Jessel Securities in the early 1970s, was chairman of the unit trust association between 1981 and 1983. He is currently chairman of Cadogan Management and of Framlington Group, and has previously held senior posts with GT Management and Allied Hambro.

Heape, 60, recently retired as director of financial services at Midland Bank, where he was responsible for everything from life assurance and unit trusts through to personal portfolio management. He has been in the industry for over 40 years and aside from being managing director of Midland Unit Trusts, has served on the executive of the Unit Trust Association.

■ AMI HEALTHCARE GROUP announces the appointment of Charles Auld as managing director. Its chairman, Marvin Goldberg, has also become chairman and president of GSI NORTH AMERICA, the healthcare subsidiary of Compagnie Generale des Eaux.

■ Bill Revell is promoted to group managing director of AAH HOLDINGS where he has had responsibility for healthcare and environmental services.

■ Christopher Stewart-Smith has been appointed non-executive chairman of HEALTHCALL Group.

■ CAMBORNE INDUSTRIES announces the promotion of Brian Clements to financial director of Aberneath Industries; Malcolm Armson appointed Aberneath's operations director; Bom Choi, commercial director of Aberneath and executive director of Camborne Industries on secondment from Sammi Atlas; C D Kim, a director of Sammi Steel, is appointed non-executive director of Camborne Industries.

■ The following appointments have been announced: Thomas Naskret, chief executive of Eagle Star International Financial Services; Sally Coryn, a director of Thos R Miller & Sons (underwriting agents); Michael Kennedy, chief executive of Martin Currie Group, Keith Falconer, a director of the group, and Tristan Clube, a director of Martin Currie Investment Management; Reinout Kuipers, investment manager, continental European equities, and Graeme Leach, economist at Scottish Provident; Colin Atty, a director of Capital Value Brokers; R V Reddy, chief executive of Bombay office of State Trading Corporation of India; Richard Major, administration director and company secretary of Employment Conditions Abroad; Robert FitzHerbert, managing director of OSS Scaffolding; Gary Lubner, managing director of Glass Medic; Mike Jones, director of national accounts of Initial Contract Services; John Russell, head of KPMG Actuarial Services' general insurance actuarial practice; Steven Newiss, general manager for Maxpax UK; Ian Caunt, director of Acatos & Hutcheson; Terry Arthur, director of River & Mercantile Extra Income Trust; Norman Crowe and John Bunting, directors in the London office of Babcock & Brown; Geoffrey Godding and Bruce Cotterill, associate directors of REL; Roy Foster, director of operations of Central Trailer Rentco International, and John Clark, finance director of Central Trailer Rentco; Margaret Williamson, director of sales and marketing of Aberdeen Trust group; Marie Lee, secretary of the Chartered Institute of Marketing.

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AMERICANS

1991 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
34½	20⅞	Abbott Laboratories‡	33⅝xd	–⅛	$1.00	–	1.8
385p	224p	♦Allegheny & W 1c	226p	+2	30c	–	7.8
10⅛	667p	Amdahl 5c	856pxd	+31	10c	–	0.7
42⅛	25¼	Amer. Cyanamid $5	37	....	$1.50	–	2.4
17⅞	9[illegible]	Amer. Express 60c	11¼xd	+[illegible]	$1.00	–	5.3
24½	15¼	American T. & T. $1	22[illegible]xd	–¼	$1.32	–	3.5
38⅞	32½	Ameritech $1	35¾	–¼	$3.40	–	5.6
26[illegible]	12[illegible]	BankAmerica $1[illegible]	24⅝xd	+¼	$1.20	–	2.9
38[illegible]	20[illegible]	Bankers N.Y. $1	37¼xd	–⅛	$1.52	–	7.7
30½	24¼	Bell Atlantic $1	26⅞xd	....	$2.52	–	5.6
31¼	25	BellSouth Corp	28¼	....	$2.76	–	5.8
11¼	6[illegible]	♦Bethlehem Steel $8	8[illegible]xd	+[illegible]	40c	–	2.6
1939p	1046p	Bowater Inc	1258p	+42	$1.20	–	5.6
54[illegible]	37[illegible]	CPC Intnl 25c	47[illegible]xd	+[illegible]	$2.00	–	2.5
930p	420p	California Engy	840p	–30	–	–	–
50	28¼	Campbell Soup 15c	44[illegible]xd	+[illegible]	$1.16	–	1.6
12¾	5[illegible]	Chase Manhattan $12½	10[illegible]xd	–½	$1.20	–	6.6
9[illegible]	5½	Chrysler $6¼	7¼xd	+[illegible]	60c	–	4.9
10¼	5⅞	Citicorp $1	6½xd	+⅛	–	–	–
26⅝	21[illegible]	Colgate-Palmolive $1	23[illegible]xd	–[illegible]	$1.06	–	2.6
924p	438p	Cont'l Bank Corp $4	684p	+25	60c	–	5.9
21⅝	13[illegible]	Dana Corp $1	16xd	–¼	$1.60	–	5.9
1262p	203p	Data General	1288p	–22	–	–	–
25½	12⅞	Dial Corp $1.5	25¼xd	–½	$1.40	–	3.3
29⅝	20¼	Dun & Bradstreet $1	28¼	....	$2.16	–	4.4
40	24¼	Eaton Corpn 50c	35¼	–½	$2.20	–	–
8½	5½	Echlin Inc	7xd	–¼	70c	–	5.9
20¼	14[illegible]	FPL Group 1c	19⅞xd	–¼	$2.40	–	7.1
30[illegible]	17[illegible]	Fluor Corp 62½c	25¼xd	+¼	32c	–	0.7
23¼	13¼	Ford Motor $1	15⅝xd	–⅛	$1.60	–	3.8
46[illegible]	28[illegible]	Gen. Elect. 63c	40¼xd	–[illegible]	$2.04	–	3.0
45¼	20⅞	Gillette $1	24[illegible]xd	+[illegible]	62c	–	1.5
20⅞	794p	Hasbro Inc 50c	20⅞	+⅛	24c	–	0.7
38½	21¼	Honeywell $1½	33[illegible]xd	–[illegible]	$1.50	–	2.7

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES – Contd

ELECTRICALS

ELECTRICITY

ENGINEERING

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

INSURANCES

LEISURE

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LEISURE—Contd

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

INVESTMENT TRUSTS

INVESTMENT TRUSTS—Contd

Net asset values supplied by County NatWest Wood Mackenzie as a guide only.

FINANCE, LAND, ETC

FINANCE, LAND, ETC—Contd

WATER

OIL AND GAS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

MINES—Contd

Australians

Tins

Miscellaneous

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares. γ Gamma refers to other traded instruments

Highs and lows are based on intra-day mid prices. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM, not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities
- ‡‡ Not officially listed.
- ∦ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue, cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue, xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency

Craig & Rose £1.. β	635	......
Finlay Pkg 5p . α	45	......
Holt (Jos) 25p.... β	1995	+10

IRISH

Cap 8½% Ln 2010 ..	£95¼	......
9pc Cap Ln. 1996..	£98½	......
Fin. 13% 97/02...	£114	......
Arnotts	198	......
Helton Hldgs.... γ	34	......
IRG......	123½	......
United Drug	165	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	50
Amstrad	6
Astec (BSR)	5
BAT	53
BOC Grp.	48
BTR	33
Barclays	34
Blue Circle	20
Boots	33
Bowaters	55
Brit Aerospace	35
British Steel	10
Brit. Telecom	33
Cadburys	35
Charter Cons.	42
Comm Union	40
Courtaulds	38
Eurotunnel	50
FKI	5
FNFC	10
Forte	21
Gen Accident	43
GEC	16
Glaxo	110
Grand Met	67
Guardian	14
GKN	28
Hanson	17
Hawker Sidd	55
ICI	95
Ladbroke	21
Legal & Gen	33
Lex Service	16
Lloyds Bank	38
Lucas Inds.	12
Marks & Spencer	21
Midland Bk	20
Nat West Bk	26
P & O Dfd.	41
Racal Elect.	6
RHM	23
Rank Org Ord	55
Ratners	12
Reed Intnl	35
Sears	8½
SmKl Beecham A.	53
TI	39
TSB	11
Tesco	21
Thorn EMI	65
T&N	14
Unilever	60
Vickers	16
Wellcome	60

Property

Brit Land	27
Control Secs	2
Land Securities	41
MEPC	42
Mountleigh	4

Oils

Ariva Petm	3
Brit Petroleum	26
Burmah Castrol	47
Conroy Petm	8
Gaelic Res	1
Premier	4
Shell	40
Tuskar Res.	1
Ultramar	20

Mines

Lonrho	20
RTZ	46

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,150 a year for each security shown, subject to the Editor's discretion.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 48p per minute peak and 36p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, ... London WC1A 1QH

For Geoffrey Morley see Commercial Union

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sovereign Unit Tst Mngrs Ltd (1000)F						
12 Christchurch Rd, Bournemouth 0202 298422						
Cash	1	51.51	51.51	52.02	+0.02	10.6
Capital Primacy	5½	48.60	48.93	52.19	+0.19	0.18
Ethical	5½	49.70	50.76xd	54.00	+0.36	4.72
European Growth	5½	47.20	47.20	50.35	+0.05	3.1
Income	5½	47.31	47.85	51.04	+0.27	7.36
Intl Growth	5½	64.36	64.93	69.15	+0.12	3.34
Managed	5½	58.80	59.50	63.47	+0.17	4.42
UK Growth	5½	51.88	52.56	56.06	+0.49	5.48
Standard Chartered Equitor (1200)F						
69 Old Broad Street, EC2M 1QS 071-280 6571						
Mngd Exempt Acc	3	197.5	199.8	208.1	+0.2	2.96
Do Income	3	188.5	190.7	198.6	+0.2	2.96
Standard Life Tst Mgmt Ltd (0629)H						
3 George St, Edinburgh EH2 2XZ 0800 393777						
Managed Acc	5½	36.16	36.16	38.42	+0.1	2.93
UK Equity Gth Acc	5½	48.25	49.18	52.26	+0.4	2.09
UK Eq High Inc Inc	5½	32.88	33.60xd	35.71	+0.2	5.57
UK Eq High Inc Acc	5½	36.97	37.78	40.15	+0.2	5.57
UK Equity Gen Acc	5½	46.65	47.46	50.43	+0.5	3.25
UK Equity Gen Inc	5½	36.51	37.13xd	39.46	+0.4	3.25
UK Larger Cos Acc F	7½	303.5	307.9	334.1	+5.9	4.48
UK Larger Cos Inc F	7½	244.4	247.9xd	269.0	+5.1	4.48
Gilt & Fxd Int Inc	3½	27.46	27.53xd	29.12		7.77
Cos Larg Cos Acc F	7½	215.4	219.6	238.3	-2.1	2.15
Nth American Acc	5½	34.83	35.04	37.24	-0.2	0.75
Far East Acc	5½	41.91	43.01	45.70	-0.6	0.24
European Acc	5½	33.23	34.93	37.12	+0.1	1.73
Stewart Ivory Unit Tst Mgrs Ltd (1200)H						
45 Charlotte Sq, Edinburgh 031-226 3271						
American ♦	5	293.3	293.3	313.5	-1.6	1.37
(Accum Units) ♦	5	343.1	343.1	366.7	-1.9	1.33
British	5	806.8	816.8	864.1	+1.6	3.55
(Accum Units)	5	1325.5	1342.0	1419.7	+2.7	3.55
European	5	313.3	313.3xd	333.7	-0.7	1.55
(Accum Units)	5	339.6	339.6	361.7	-0.7	1.55
Japan	5	117.9	117.9	125.2	-0.3	-
(Accum Units)	5	118.8	118.8	126.2	-0.3	-

	Bid Price	Offer Price	+ or -	Yield Gross
Funds in Court*				
Capital Oct 17	505.48	509.21xd		2.77
Gross Oct 17	187.26	188.77		10.33
High Yield Oct 17	294.97	297.54		7.40
* Restricted to monies under Court control				
Henderson Unit Trust Management Ltd				
Pensions Mngd	52.82	53.96xd	-0.07	3.64
INVESCO MIM Management Ltd				
Exempt Funds				
Intl Mngd P'Folio	1206.0	1300.0		-
Mngd Pens (Acc)	69.8	74.4		-
Lazard Brothers & Co. Ltd				
Property Sept 5	£2,440.0	2,600.0	+5.00	6.00
Inc Gth Prp Apr 16	£1,325.0	1,460.0		7.20
Lazard Investors Ltd ‡‡				
Exempt Funds				
Small Co's Nov 1	£3966.2	4139.6	+7.50	3.95
European Nov 1	£540.5	546	-0.10	2.08
American Nov 1	£356.8	359.3	-1.20	2.26
Japan Oct 31	£524.1	530		1.23
Pacific Nov 1	£137.8	141.6	-0.30	1.96
W Midlands Sep 30	£147.60	164.90		2.48
Local Authorities Mutual Invest. Tst.*				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Property Sep 30	193.05	196.90		7.81
Equity Sep 30	893.70	906.20		3.99
* Available only to Local Authorities				
M & G Securities Ltd				
Charibond Oct 30		104.53	+0.3	10.32
(Accum Units)		600.63	+1.6	10.32
NAACIF Oct 29		43.02		9.28
Morgan Grenfell Unit Trust Managers Ltd				
Exempt Funds				

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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N & P Life Assurance Ltd
6-7 Bedford Row, London, WC1R 4UJ 071-430 2348

	Bid Price	Offer Price	+ or -	Yield Gross
Life Managed Fd	107.9	113.6		-
Pension Managed Fd	106.4	112.0	...	-
Life Deposit Fd	110.3	116.1	....	-
Pension Deposit Fd	116.8	123.0		-

For National Fls see Target Life

National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	+ or -	Yield Gross
Harvester Pension Funds				
Managed	167.9	176.8		-
UK Equity	177.0	186.4		-
Overseas Equity	134.7	141.8		-
Fixed Interest	154.6	162.8		-
Property	133.1	140.2		-
Index Linked	152.1	160.2		-
Deposit	163.2	171.8		-
With Profits (B)	133.5	140.6		-

National Provident Institution
48 Gracechurch St, London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	358.3	377.2	+1.0	-
UK Equity	452.8	476.7	+1.5	-
Overseas Eq	344.2	362.4		-
American	293.6	309.1	+2.1	-
Far East	376.7	396.6	-0.6	-
Property	194.4	204.7	+0.3	-
Fixed Int	272.6	287.0	+1.5	-
Indexed Gilt	161.5	170.1		-
Deposit	187.0	196.9		-
With Profit	104.3	109.8		-
Pension Fund (Accum Units)				
Managed	516.9	544.2	+1.5	-
UK Equity	613.7	646.1	+1.8	-
Overseas Eq	583.9	614.7	+1.6	-
American	370.8	390.4	+3.1	-
Far East	616.1	648.6	-3.5	-
Property	247.4	260.5	+0.4	-
Fixed Int	337.9	355.7	-0.3	-
Indexed Gilt	176.3	185.6		-
Deposit	264.8	278.8	+0.1	-
NPI Pensions Management Ltd				
Managed Fund	1139.4	1159.7		-

Prices October 1 Next dealing November 1

Norwich Union Asset Management Ltd
PO Box 140, Norwich NR3 1PP 0603 622200

	Bid Price	Offer Price	+ or -	Yield Gross
NUAM Funds				
Managed Fund	73.2	77.1	...	-

Providence Capital Life Assc. Co Ltd
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity Acc	228.6	241.2	(z)	-
UK Fixed Int Acc	186.4	196.7	(z)	-
Intl Equities Acc	175.2	184.9	(z)	-
UK Managed Acc	175.9	185.5	(z)	-
Property Acc	226.3	238.8	(z)	-
Money Acc	133.0	140.3	(z)	-
Special Market Acc	150.6	158.9	(z)	-
Japan Equity Acc	106.4	112.3	(z)	-
North American Acc	103.9	109.7	(z)	-
Pacific Acc	94.9	100.2	(z)	-
Technology Acc	123.9	130.8	(z)	-
Nat Resources Acc	57.0	60.2	(z)	-
European Acc	100.5	106.1	(z)	-
Residential Prop Acc	94.5	99.7	(z)	-
Swiss Equities Acc	33.1	35.0	(z)	-
Hong Kong Acc	67.7	71.5	(z)	-
UK High Inc Eq Acc	74.1	78.2	(z)	-
Int Fixed Interest Acc	60.8	64.2	(z)	-
Int Managed Acc	56.7	59.8	(z)	-
HIP Managed Acc	117.7	124.2	(z)	-
HIP Managed II Acc	102.7	108.3	(z)	-
HIP Managed III Acc	110.4	116.4	(z)	-
Total Investment Bond				
UK Equity Initial		155.0	(z)	-
UK Fixed Int Initial		126.7	(z)	-
Intl Equities Initial		118.3	(z)	-
UK Managed Initial		119.5	(z)	-
Property Initial		154.9	(z)	-
Money Initial		90.9	(z)	-
Special Market Initial		116.7	(z)	-
Japan Equity Initial		82.4	(z)	-
North American Initial		80.5	(z)	-
Pacific Initial		73.6	(z)	-
Technology Initial		96.0	(z)	-
Nat Resources Initial		44.2	(z)	-
European Initial		90.0	(z)	-
Residential Prop Init		90.1	(z)	-
Swiss Equities Initial		31.6	(z)	-
Hong Kong Initial		64.6	(z)	-
UK High Inc Eq Init		70.7	(z)	-
Int Fixed Interest Init		58.8	(z)	-
Int Managed Init		54.9	(z)	-
HIP Managed Init		114.1	(z)	-
HIP Managed II Initial		100.9	(z)	-
HIP Managed III Init		109.7	(z)	-
Broker Funds				
High Performance	75.4	79.5	(z)	-
Towerhill Mngd Fd Acc	52.7	55.5	(z)	-
YRA Executive Fd	99.7	105.1	(z)	-
£ Global Growth Acc	128.6	135.6	(z)	-
£ High Income Money Acc	144.0	151.8	(z)	-
IM Balanced		54.6	(z)	-
N.F. Speculator Fd		122.6	(z)	-
AAFS Int Max Fund		125.3	(z)	-
Andrews-Green uw Port		88.0	(z)	-

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

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Baring International Fd Mngrs (Ireland) Ltd

	Bid Price	Offer Price	+ or −	Yield Gross
Australia	$17.65	18.54	+0.07	1.05
Japan Tech	$44.57	65.70	−0.40	−
Japan Fund	$26.28	27.60	−0.02	0.17
Japan New Gartn Fd	$20.14	21.15	−0.15	−
Malay Sing	$52.77	55.41	+0.39	0.31
Nth American	$22.10	23.21	+0.26	0.58
Octagon Fund	$21.28	22.35	+0.01	0.69
Pacific Fd	$63.73	66.92	−0.06	−
International Bond	$17.61	18.50	+0.17	6.89
Europa Fund	$13.27	13.94	+0.11	−
British Screen Fd	£0.93	0.98		−
TriStar Warrant	$10.57	11.10	+0.08	−
Hong Kong	$50.40	52.92	+0.13	3.09
Mngd Portfolio (Stlg)	£4.15	4.48	−0.05	−
Mngd Portfolio (Dlr)	$10.27	10.84	+0.06	−
Currency Fd-Sterling	£19.59		+0.02	−
Currency Fd-US Dollar	$15.40			−
Curr Fd-Deutschemark	DM40.69		+0.02	−
Curr Fd-Managed $	$45.10	47.35	+0.08	−

Federated International Funds Plc

Federated Short-term US Gov't Securities Fund

	Bid Price	Offer Price	+ or −	Yield Gross
Institutional Serv Series*	$1.00		----	5.33
Investment Series*	$1.00		----	5.33

* Annualised Yield

ISLE OF MAN (SIB RECOGNISED)

Allied Dunbar Intl Fund Mgrs (1600)F

Lord Street, Douglas, IoM 0624 661551

Royal Trust Jsy Fd Mngt Ltd (1400)F

PO Box 428, St Helier, Jersey 0534 76077

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or −	Yield Gr's
Govt Secs Fd	4	56.65	56.65	58.98	+0.04	9.49

TSB Trust Funds (CI)

PO Box 538, St Helier, Jersey 0534 73494

TSB Offshore Investment Fund Ltd

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or −	Yield Gr's
Stg Deposit Class	3	102.10	102.10	105.17	+0.08	10.00
Gilt & Fixed Interest	3	105.07	105.07	108.95	+0.09	7.89
Blue Chip & Gilt Edged	5	50.56	50.56	53.85	+0.34	3.71
International Bond	5	109.17	109.17	115.64	−0.36	5.53
UK Equity	5	140.07	140.07	150.95	+1.15	0.91
International Equity	5	116.65	116.65	124.55	−0.14	0.00
Far Eastern	5	93.18	93.18	99.55	−0.38	0.00
European	5	84.49	84.49	89.41	−0.15	0.00
Pan American	5	147.49	147.49	156.79	+1.38	0.00
TSB Gilt Fund Ltd						
Quarterly Share	3	97.34	97.54	100.80	−0.02	10.22
Monthly Share	3	97.18	97.18	100.41	−0.01	10.26

JERSEY (REGULATED)(**)

Barclays Intl Funds

	Bid Price	Offer Price	+ or −	Yield Gross
Currency Funds				
Sterling	£21.27			9.6
US Dollar	$31.41		+0.02	4.2
Deutschemark	DM55.16		+0.01	7.8
Yen	Y4,040		−0.001	5.4
Managed Multicurrency	£13.25	13.72	−0.05	−
Managed Multicurrency	$25.21	26.10	....	−
Bond Funds				
Sterling Bond	£0.405	0.421	+0.002	10.5
US Government Income	$97.77	101.16	+0.07	6.7
Asian Selection Funds				
Hong Kong	$12.707	13.370	+0.066	1.5
Indonesia	$7.053	7.424	+0.188	3.0
Korea	$10.661	11.194	−0.255	4.0
Malaysia	$9.703	10.214	+0.055	2.3

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

Top Brand Fund Intl—SICAV (a)

	Bid Price	Offer Price	+ or −	Yield Gross
Top Brand Fd Intl	$14.69	15.43	+0.07	1.30

Inv Ad Warburg Asset Mngt London

Transworld Bond Trust

	Bid Price	Offer Price	+ or −	Yield Gross
NAV	$12.16		+0.02	−

US Pacific Stock Fund (u)

	Bid Price	Offer Price	+ or −	Yield Gross
NAV	$16.26			−

Unibank SA, Frontrunner I (u)

	Bid Price	Offer Price	+ or −	Yield Gross
Equities 92	Ecu75.51			−
Global Bonds	DKr120.14			−
Global Bonds	DM113.89			−

GT Management Plc—Contd.

	Bid Price	Offer Price	+ or −	Yield Gross
GT Global Tech (Susp)	$-		....	−
GT Hong Kong Fd (z)	$35.39		+0.25	3.08
GT Hono Pfder (z)	$12.44		−0.02	−
GT Investment Fd (z)	$16.34		+0.12	0.25
GT Jap OTC Stocks	$12.67			−
GT Jap Sm Co (z)	$15.95			0.41
GT Korea Fd (z)	$5.71		−0.47	−
GT Latin America Fd (u)	$15.31			−
GT Newly Ind Co Fd (u)	$27.55		....	1.88
GT Taiwan Fd (u)	$8.30			−
GT Technology Fd (z)	$47.00		+1.33	−

Nomura Warrant Fund 1990 Ltd

	Bid Price	Offer Price	+ or −	Yield Gross
NAV	$1.71		....	−

North Star Fund Managers (Cayman) Ltd

	Bid Price	Offer Price	+ or −	Yield Gross
Invest Fund	DKr322.0	323.0		−
Low Risk Fund	DKr253.0	254.0		−
High Perf Fund	DKr311.0	312.0		−
Bond Fund	DKr175.0	176.0		−
Second Low Risk Fd	DKr192.0	193.0		−
Second High Perform Fd	DKr236.0	237.0		−
Mixed Intl Fd	DM162.0	163.0		−
Invest Fd (Cayman)	DKr146.0	147.0		−
High Perf Fd (Cayman)	DKr165.0	166.0		−

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar lower as key rate eases

THE DOLLAR remained on the defensive yesterday after the White House confirmed the Federal Reserve had cut a key short-term money market rate by ¼ point on Wednesday.

Mr Marlin Fitzwater, the White House press spokesman, said the Federal Reserve had lowered the Federal funds rate to 5 per cent from 5¼ per cent and "there could be other drops to come."

Before Mr Fitzwater's comments, the financial markets had been uncertain whether the Federal Reserve had eased monetary policy.

Now the market expects the Federal Reserve to follow with a ½ point cut in the discount rate to 4½ per cent. A lowering in the discount rate could follow the October employment report today. But most operators believed the central bank will wait until its policy-setting Open Market Committee meets on November 5.

A reduction in the discount rate would put greater pressure on the banks to lower their prime rate and help stimulate consumer spending.

However, further reductions in interest rates may only have limited impact. Mr Adrian Cunningham, economic adviser at Bank of America said: "It is not the price of loans that is the problem but demand for loans. A reduction in the discount rate is unlikely to lead to more borrowing by consumers."

Nevertheless, the prospect that the administration will continue to push for further interest rate cuts is likely to restrain the dollar, particularly against the D-Mark, as speculation grows about an increase in German rates.

The dollar was confined to a narrow range for much of the day. But business was brisker, particularly in the London inter-bank market.

Larger sell orders at DM1.6760 kept the dollar depressed against the mark: it closed 5 points lower at DM1.6680. The dollar also weakened to Y130.55 from Y131.00 on widespread speculation that an Asian central bank had been selling dollars for yen.

The release of the US October employment report is likely to dominate dealing today. With many economists predicting slower fourth quarter growth, the labour market figures will be closely analysed for evidence on how the latest quarter has begun.

October non-farm payroll employment is expected to have risen by 25,000, little changed on the previous month's increase, while manufacturing employment is forecast to be unchanged.

Sterling was slightly lower as light profit-taking set in before Mr Norman Lamont, the chancellor of the exchequer, made his Mansion House speech. There was also uncertainty before the three forthcoming parliamentary by-elections although turnover was generally low.

Sterling closed lower at DM2.9050 from DM2.9075; at Y227.50 from Y228.25; at FFr9.9375 from FFr9.9400; and at $1.7425 from $1.7430. Sterling's index was off 0.1 at 90.8.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Oct 31	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	128.844	-3.58	5.18	62
Belgian Franc	42.4032	42.1424	-0.62	2.04	35
Dutch Guilder	2.31643	2.30581	-0.46	1.88	27
D-Mark	2.05586	2.04667	-0.45	1.87	35
Italian Lira	1538.24	1532.81	-0.35	1.77	22
Irish Punt	0.767417	0.765525	-0.25	1.66	16
Sterling	0.696904	0.702425	0.79	0.61	-16
Danish Krone	7.84195	7.94124	1.27	0.14	-53
French Franc	6.89509	6.99240	1.41	0.00	-72

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

£ IN NEW YORK

Oct.31	Latest	Previous Close
£ Spot	1.7390-1.7400	1.7430-1.7440
1 month	0.78-0.76pm	0.79-0.77pm
3 months	2.24-2.21pm	2.26-2.23pm
12 months	7.85-7.75pm	7.65-7.58pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

		Oct.31	Previous
8.30	am	90.8	90.6
9.00	am	90.9	90.6
10.00	am	90.9	90.7
11.00	am	90.9	90.7
Noon		91.0	90.8
1.00	pm	90.9	90.8
2.00	pm	90.9	90.8
3.00	pm	90.8	90.8
4.00	pm	90.8	90.9

CURRENCY MOVEMENTS

Oct 31	Bank of England Index	Morgan** Guaranty Changes %
Sterling	90.8	-20.6
U.S Dollar	64.2	-15.1
Canadian Dollar	107.0	+4.5
Austrian Schilling	109.3	+11.7
Belgian Franc	111.0	-2.1
Danish Krone	107.9	+2.7
D-Mark	117.5	+24.3
Swiss Franc	109.0	+17.7
Dutch Guilder	113.7	+15.7
French Franc	101.9	-13.7
Lira	98.5	-19.8
Yen	141.7	+74.7

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Oct 30

CURRENCY RATES

Oct 31	Bank § rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.786471	0.702425
U.S Dollar	5.00	1.36610	1.22117
Canadian $	8.17	1.53372	1.37137
Austrian Sch	7.50	16.1705	14.4012
Belgian Franc	8.00	47.4207	42.1424
Danish Krone	9.50	8.93224	7.94124
D-Mark	7.50	2.29341	2.04667
Dutch Guilder	8.00	2.58808	2.30581
French Franc	10¼	7.85508	6.99240
Italian Lira	11½	1718.62	1532.81
Japanese Yen	5.50	178.959	160.278
Norway Krone	8	9.03019	8.02062
Spanish Peseta	-	144.563	128.844
Swedish Krona	10.00	N/A	7.45827
Swiss Franc	7.00	2.00817	1.79695
Greek Drach	19	N/A	228.956
Irish Punt	-	N/A	0.765525

§ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland.
† European Commission Calculations.
* All SDR rates are for Oct.30

OTHER CURRENCIES

Oct 31	£	$
Argentina	17196.3 - 17223.6	9900.00 - 9910.00
Australia	2.2345 - 2.2365	1.2855 - 1.2865
Brazil	1100.60 - 1101.80	634.000 - 634.300
Finland	7.0850 - 7.0975	4.0800 - 4.0830
Greece	323.200 - 328.350	185.910 - 188.880
Hong Kong	13.5005 - 13.5135	7.7670 - 7.7690
Iran	115.50*	67.00*
Korea(Sth)	1296.95 - 1317.85	745.80 - 754.80
Kuwait	0.49255 - 0.49335	0.28880 - 0.28910
Luxembourg	60.35 - 60.45	34.60 - 34.70
Malaysia	4.7740 - 4.7825	2.7490 - 2.7510
Mexico	5209.50 - 5215.95	3000.00 - 3002.00
N Zealand	3.1255 - 3.1295	1.7975 - 1.8000
Saudi Ar.	6.4970 - 6.5720	3.7500 - 3.7510
Singapore	2.9345 - 2.9415	1.6900 - 1.6920
S Af (Cm)	4.9185 - 4.9300	2.8310 - 2.8325
S Af (Fn)	5.3830 - 5.4675	3.0960 - 3.1445
Taiwan	45.85 - 45.95	26.50 - 26.55
U.A.E.	6.3610 - 6.4360	3.6715 - 3.6735

* Selling rate.

POUND SPOT - FORWARD AGAINST THE POUND

Oct 31	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7360 - 1.7430	1.7420 - 1.7430	0.78-0.76cpm	5.30	2.22-2.19pm	5.06
Canada	1.9510 - 1.9625	1.9550 - 1.9560	0.44-0.36cpm	2.45	1.31-1.19pm	2.56
Netherlands	3.2700 - 3.2850	3.2700 - 3.2800	⅜-¼cpm	1.15	⅝-½pm	0.61
Belgium	59.80 - 60.10	59.95 - 60.05	9-4cpm	1.30	18-9pm	0.90
Denmark	11.2775 - 11.3215	11.3000 - 11.3100	1½-⅞orepm	1.19	3⅛-2⅜pm	0.97
Ireland	1.0850 - 1.0925	1.0915 - 1.0925	0.03-0.07cdis	-0.55	0.07-0.17dis	-0.44
Germany	2.9025 - 2.9160	2.9025 - 2.9075	⅜-¼pfpm	1.29	⅝-½pm	0.77
Portugal	249.35 - 250.70	249.65 - 250.65	92-99cdis	-4.58	285-300dis	-4.68
Spain	182.75 - 183.80	182.85 - 183.05	¼-⅜cdis	-0.02	¼-1¼dis	-0.02
Italy	2175.50 - 2189.80	2177.25 - 2178.25	par-2liredis	-0.55	3-6dis	-0.83
Norway	11.3920 - 11.4365	11.4175 - 11.4275	½-⅝orepm	0.46	½-⅜dis	-0.20
France	9.9325 - 9.9665	9.9325 - 9.9425	1⅝-1¼cpm	1.51	3-2½pm	1.13
Sweden	10.5955 - 10.6350	10.6250 - 10.6350	¼-½oredis	-0.42	½-1½dis	-0.38
Japan	227.00 - 228.55	227.00 - 228.00	⅞-⅝ypm	4.29	2½-2¼pm	4.18
Austria	20.43 - 20.52	20.43 - 20.46	2¼-1gropm	0.92	4⅛-2⅛pm	0.67
Switzerland	2.5475 - 2.5625	2.5475 - 2.5575	⅜-¼cpm	1.47	⅞-¾pm	1.18
Ecu	1.4195 - 1.4255	1.4225 - 1.4235	0.14-0.08cpm	0.93	0.18-0.09pm	0.38

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.22-4.17cpm. 12 Month 7.82-7.72pm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Oct 31	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7360 - 1.7430	1.7420 - 1.7430	0.78-0.76cpm	5.30	2.22-2.19pm	5.06
Ireland†	1.5940 - 1.6020	1.6010 - 1.6020	0.65-0.60cpm	4.68	1.90-1.80pm	4.62
Canada	1.1220 - 1.1255	1.1225 - 1.1235	0.25-0.28cdis	-2.83	0.69-0.74dis	-2.55
Netherlands	1.8790 - 1.8900	1.8790 - 1.8800	0.65-0.68cdis	-4.25	1.99-2.04dis	-4.29
Belgium	34.40 - 34.50	34.40 - 34.50	11.00-13.00cdis	-4.18	35.00-39.00dis	-4.30
Denmark	6.4690 - 6.5060	6.4850 - 6.4900	2.03-2.33oredis	-4.03	6.30-6.90dis	-4.07
Germany	1.6675 - 1.6775	1.6675 - 1.6685	0.56-0.57pfdis	-4.06	1.78-1.81dis	-4.30
Portugal	143.90 - 144.25	143.90 - 144.00	92-99cdis	-7.96	285-300dis	-8.13
Spain	105.10 - 105.50	105.25 - 105.35	63-68cdis	-7.46	189-197dis	-7.33
Italy	1249.50 - 1255.35	1249.50 - 1250.00	5.80-6.30liredis	-5.81	18.20-19.20dis	-5.99
Norway	6.5500 - 6.5730	6.5525 - 6.5575	2.70-3.00oredis	-5.22	8.15-8.60dis	-5.11
France	5.7000 - 5.7295	5.7000 - 5.7050	1.85-1.90cdis	-3.95	5.70-5.80dis	-4.03
Sweden	6.0790 - 6.1150	6.0975 - 6.1025	2.65-2.90oredis	-5.46	8.15-8.60dis	-5.49
Japan	130.50 - 131.25	130.50 - 130.60	0.12-0.13ydis	-1.15	0.31-0.32dis	-0.97
Austria	11.7575 - 11.7950	11.7775 - 11.7825	4.05-4.45grodis	-4.33	12.20-13.50dis	-4.36
Switzerland	1.4640 - 1.4735	1.4645 - 1.4655	0.32-0.34cdis	-2.70	1.10-1.15dis	-3.07
Ecu	1.2200 - 1.2265	1.2255 - 1.2265	0.47-0.43cpm	4.40	1.46-1.40pm	4.67

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency

EURO-CURRENCY INTEREST RATES

Oct 31	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	10½ - 10⅜	10⅝ - 10½	10½ - 10⅜	10½ - 10⅜	10⅜ - 10¼	10⅜ - 10¼
US Dollar	5⅛ - 4⅞	5¼ - 5	5¼ - 5	5¼ - 5⅛	5¼ - 5⅛	5⅜ - 5¼
Can. Dollar	8⅝ - 8½	8⅝ - 8½	7⅞ - 7¾	7⅝ - 7½	7⅜ - 7¼	7½ - 7⅜
Dutch Guilder	9⅜ - 9¼	9⅜ - 9¼	9⅜ - 9¼	9⅜ - 9¼	9½ - 9⅜	9½ - 9⅜
Swiss Franc	6¾ - 6½	7¾ - 7⅝	8 - 7⅞	8⅝ - 8½	8⅝ - 8½	8⅝ - 8½
D-Mark	8½ - 8¼	9 - 8⅞	9¼ - 9⅛	9½ - 9⅜	9⅝ - 9½	9½ - 9⅜
French Franc	9 - 8⅞	9 - 8⅞	9⅛ - 8⅞	9¼ - 9⅛	9⅜ - 9¼	9⅜ - 9¼
Italian Lira	12 - 10	10⅞ - 10⅜	11⅛ - 10⅞	11⅛ - 10⅞	11⅛ - 10⅞	11⅜ - 11⅛
Belgian Franc	9⅜ - 9¼	9⅜ - 9¼	9⅜ - 9¼	9½ - 9⅜	9⅜ - 9¼	9⅜ - 9¼
Yen	6⅝ - 6½	6½ - 6⅜	6⅝ - 6½	6½ - 6⅜	5⅞ - 5¾	5⅞ - 5¾
Danish Krone	9¼ - 9⅛	9¼ - 9⅛	9⅜ - 9¼	9½ - 9⅜	9⅝ - 9½	9⅝ - 9½
Asian $Sing	3⅝ - 3½	3⅝ - 3½	3⅞ - 3¾	4⅛ - 4	4⅛ - 4	4⅝ - 4½

Long term Eurodollars: two years 6-5⅞ per cent; three years 6⅜-6¼ per cent; four years 7-6⅞ per cent; five years 7⅜-7¼ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Oct.31	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Ecu
£	1	1.743	2.905	227.5	9.938	2.553	3.275	2178.	1.956	60.00	1.423
$	0.574	1	1.667	130.5	5.702	1.465	1.879	1250	1.122	34.42	0.816
DM	0.344	0.600	1	78.31	3.421	0.879	1.127	749.7	0.673	20.65	0.490
YEN	4.396	7.662	12.77	1000.	43.68	11.22	14.40	9574	8.598	263.7	6.255
F Fr.	1.006	1.754	2.923	228.9	10.	2.569	3.295	2192	1.968	60.37	1.432
S Fr.	0.392	0.683	1.138	89.11	3.893	1	1.283	853.1	0.766	23.50	0.557
N Fl.	0.305	0.532	0.887	69.47	3.035	0.780	1	665.0	0.597	18.32	0.435
Lira	0.459	0.800	1.334	104.5	4.563	1.172	1.504	1000.	0.898	27.55	0.653
C$	0.511	0.891	1.485	116.3	5.081	1.305	1.674	1113	1	30.67	0.728
B Fr.	1.667	2.905	4.842	379.2	16.56	4.255	5.458	3630	3.260	100.	2.372
Ecu	0.703	1.225	2.041	159.9	6.984	1.794	2.301	1531	1.375	42.16	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS £50,000 64ths of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements MAR
92	3-27	4-00	0-03	0-34
93	2-31	3-12	0-07	0-46
94	1-38	2-30	0-14	1-00
95	0-56	1-49	0-32	1-19
96	0-26	1-26	1-02	1-60
97	0-11	1-08	1-51	2-42
98	0-05	0-60	2-45	3-30
99	0-02	0-43	3-42	4-13

Estimated volume total, Calls 4389 Puts 899
Previous day's open int. Calls 39401 Puts 28005

LIFFE US TREASURY BOND FUTURES OPTIONS $100,000 64ths of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements MAR
96	3-62	3-53	0-02	0-51
97	3-02	3-08	0-06	1-06
98	2-09	2-32	0-13	1-30
99	1-23	1-61	0-27	1-59
100	0-49	1-32	0-53	2-30
101	0-25	1-08	1-29	3-06
102	0-11	0-54	2-15	3-52
103	0-05	0-39	3-09	4-37

Estimated volume total, Calls 199 Puts 11
Previous day's open int. Calls 1666 Puts 2087

LIFFE BUND FUTURES OPTIONS DM250,000 points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements MAR
8400	1.55	1.98	0.02	0.17
8450	1.08	1.58	0.05	0.27
8500	0.66	1.22	0.13	0.41
8550	0.34	0.91	0.31	0.60
8600	0.15	0.66	0.62	0.85
8650	0.06	0.46	1.03	1.15
8700	0.02	0.31	1.49	1.50
8750	0.01	0.21	1.98	1.90

Estimated volume total, Calls 3443 Puts 2579
Previous day's open int. Calls 102570 Puts 69401

LIFFE EUROMARK OPTIONS DM1m points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements MAR
8975	0.82	1.03	0	0
9000	0.57	0.79	0	0.01
9025	0.34	0.56	0.02	0.03
9050	0.14	0.34	0.07	0.06
9075	0.03	0.18	0.21	0.15
9100	0.01	0.07	0.44	0.29
9125	0	0.03	0.68	0.50
9150	0	0.01	0.93	0.73

Estimated volume total, Calls 1290 Puts 415
Previous day's open int. Calls 26810 Puts 21147

LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS Lira 200m 100ths of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements MAR
9600	1.73	2.01	0.04	0.36
9650	1.28	1.66	0.09	0.51
9700	0.87	1.34	0.18	0.69
9750	0.54	1.06	0.35	0.91
9800	0.30	0.82	0.61	1.17
9850	0.15	0.63	0.96	1.48
9900	0.07	0.47	1.38	1.82
9950	0.03	0.36	1.84	2.21

Estimated volume total, Calls 42 Puts 85
Previous day's open int. Calls 1794 Puts 1318

LIFFE SHORT STERLING OPTIONS £500,000 points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements MAR
8900	0.84	1.24	0	0
8925	0.59	0.99	0	0
8950	0.36	0.76	0.02	0.02
8975	0.17	0.54	0.08	0.05
9000	0.06	0.35	0.22	0.11
9025	0.02	0.20	0.43	0.21
9050	0	0.10	0.66	0.36
9075	0	0.05	0.91	0.56

Estimated volume total, Calls 3335 Puts 5915
Previous day's open int. Calls 51788 Puts 49017

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT * £50,000 32nds of 100%

	Close	High	Low	Prev.
Dec	95-12	95-15	95-04	95-15
Mar	95-15	95-13	95-09	95-20

Estimated volume 15128 (29025)
Previous day's open int. 46093 (45820)

US TREASURY BONDS 8% * $100,000 32nds of 100%

	Close	High	Low	Prev.
Dec	99-30	100-00	99-20	100-02
Mar	99-01			99-04

Estimated volume 1746 (2218)
Previous day's open int. 4799 (4635)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev.
Dec	99-25	99-29	99-18	99-30
Mar	98-30	99-01	98-22	99-02
Jun	98-01	98-03	97-28	98-05
Sep	97-05	97-11	97-11	97-10
Dec	-	96-10	96-06	96-17
Mar	95-21	95-21	95-21	95-27
Jun	-	-	-	95-07
Sep	-	-	-	94-21
Dec	-	-	-	-
Mar	-	-	-	-

JAPANESE YEN (IMM) Y12.5m $ per Y100

	Latest	High	Low	Prev.
Dec	0.7619	0.7620	0.7604	0.7618
Mar	0.7594	0.7603	0.7594	0.7603
Jun	-	-	-	0.7600
Sep	-	-	-	0.7603

DEUTSCHE MARK (IMM) DM125,000 $ per DM

	Latest	High	Low	Prev.
Dec	0.5946	0.5954	0.5933	0.5947
Mar	0.5876	0.5890	0.5873	0.5886

[illegible]

THREE MONTH ECU ECU 1m points of 100%

	Close	High
Dec	90.10	90.10
Mar	90.45	90.45
Jun	90.65	90.65
Sep	90.78	

Estimated volume 248 (196)
Previous day's open int. 5160 [illegible]

THREE MONTH EURO SWISS FRANC SFR 1m points of 100%

	Close	High
Dec	91.59	91.67
Mar	91.87	91.97
Jun	92.05	92.12
Sep	92.18	92.21

Estimated volume 4244 (4160)
Previous day's open int. 22707 [illegible]

FT-SE 100 INDEX * £25 per full index point

	Close	High
Dec	2585.0	2618.0
Mar	2619.0	2644.0
Jun	2650.0	

Estimated volume 5859 (9306)
Previous day's open int. 36358 [illegible]

FT-SE EUROTRACK 100 INDEX DM50 per full index point

	Close	High
Dec	1112.0	
Mar		

Estimated volume 0 (0)
Previous day's open int. 327 [illegible]

* Contracts traded on APT after trading hours

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.
1.7425	1.7348	1.720[illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls December	Calls March	Calls June	Puts December	Puts March	Puts June
106	-	1.68	2.19	0.09	0.99	0.83
107	0.51	1.09	1.61	0.37	0.97	1.14
108	0.14	0.66	-	1.02	-	-
109	0.03	0.37	-	-	-	-
Open Int	103,303	86,468	2,720	87,498	43,772	9,423

Estimated volume 15,457 Total Open Interest 333,184

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10.5	McDonnell Douglas Bk	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Midland Bank	10.5
AIB Bank	10.5	Dunbar Bank PLC	10.5	Mount Banking	10.5
● Henry Ansbacher	10.5	Duncan Lawrie	10.5	NatWestminster	10.5
B & C Merchant Bank	10.5	Equatorial Bank plc	10.5	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Exeter Bank Limited	11	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	10.5	Financial & Gen. Bank	11	Provincial Bank PLC	14
Bank of Cyprus	10.5	First National Bank Plc	14	Roxburghe Bank Ltd	11.5
Bank of Ireland	10.5	● Robert Fleming & Co	10.5	Royal Bk of Scotland	10.5
Bank of India	10.5	Robert Fraser & Ptnrs	11	● Smith & Williamson Secs	10.5
Bank of Scotland	10.5	Girobank	10.5	Standard Chartered	10.5
Banque Belge Ltd	10.5	● Guinness Mahon	10.5	TSB	10.5
Barclays Bank	10.5	● Hambros Bank	10.5	Unitbank plc	10.5
Benchmark Bank	11	Hampshire Trust Plc	13.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	10.5	Heritable & Gen Inv Bnk	10.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	● Hill Samuel	10.5	Western Trust	10.5
CL Bank Nederland	10.5	C. Hoare & Co	10.5	Westpac Bank Corp	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	Julian Hodge Bank	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	● Leopold Joseph & Sons	10.5		
Co-operative Bank	10.5	Lloyds Bank	10.5		
Coutts & Co	10.5	Meghraj Bank Ltd	10.5		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

US rates ease

SHORT-TERM interest rates in many of the leading market centres fell yesterday after the White House confirmed the Federal Reserve had eased monetary policy.

US money rates were lower as speculation grew that the discount rate will soon be cut to 4½ per cent from 5 per cent. Eurodollar futures in London moved higher in response, with the December contract up 4 basis points at 94.76.

Japanese money rates also remained at the new lower levels on talk that the Bank of Japan will reduce the official discount rate by ½ point to 5 per cent soon after Mr Kiichi Miyazawa is installed as prime minister on November 5.

In Germany, call money rates fell sharply as liquidity remained in abundant supply on technical, end-of-the-month factors. The call money rate moved erratically before settling at 8.30-8.40 per cent, unchanged on the day.

However, money market analysts said that once the technical factors driving rates lower in Germany pass, rates are likely to firm up. While call money has fallen this week, mark rates have been steady on the futures market. In London the December euro-mark contract finished 2 points higher at 90.57.

Indeed, there is still speculation that if German employers concede high settlements in the current pay round the Bundesbank may raise rates.

London money rates stood aside from the easier tone on the world markets. Sterling's weakness kept rates firm, while at the very short end, a shortage of liquidity provided support.

The key three months inter-bank rate finished unchanged at 10½-⅜ per cent; six months money was steady at 10⁵⁄₁₆-³⁄₁₆ per cent; and twelve months was stable at 10⅜-¼ per cent.

With money rates steady the Bank of England was once again willing to provide liquidity to the market. A £639m three week securities repurchase agreement offset the drain to liquidity caused by Treasury bills maturing.

Overnight rates fell after the repurchase agreement was announced. Later in the session, the Bank bought a further £41m of bills before lunch; £106m in the afternoon; and provided late assistance of £15m.

But with a shortage of £950m forecast by the Bank, the market was left short and this caused overnight rates to harden.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct 31) 3 months US dollars		6 months US Dollars	
bid 5¼	offer 5⅜	bid 5¼	offer [illegible]

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Lunchtime

		Treasury Bills and Bonds			
Prime rate	8	One month	5.10	Three year	[illegible]
Broker loan rate	7	Two month	4.98	Four year	[illegible]
Fed.funds	5⅛	Three month	4.94	Five year	[illegible]
Fed.funds at intervention	-	Six month	5.02	Seven year	[illegible]
		One year	5.07	10-year	[illegible]
		Two year	5.70	30-year	[illegible]

Oct.31	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.30-8.40	9.00-9.15	9.05-9.20	9.25-9.40	9.25-[illegible]	[illegible]
Paris	8⅞-9⅛	8⅞-9	8⅞-9⅛	9⅛-9¼	9¼-[illegible]	[illegible]
Zurich	7⅝-7⅞	7⅞-8⅛	-	8⅛-8⅜	-	[illegible]
Amsterdam	9.18-9.31	9.18-9.25	-	9.30-9.38	-	[illegible]
Tokyo	6⅛-6⅜	6⅜-6⅞	-	6⅛-6⅞	-	[illegible]
Milan	10⅞-10⅞	11-11⅜	-	11⅛-11⅞	-	[illegible]
Brussels	9.31-9.43	9⅜-9⅜	-	9⅜-9⅞	-	[illegible]
Dublin	9⅞-10⅛	10-10⅛	10⅛-10⅜	10⅛-10⅜	10⅛-[illegible]	[illegible]

LONDON MONEY RATES

Oct 31	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	11	10⅝	10⅝	10½	[illegible]	[illegible]
Interbank Bid	10¼	10⅜	10½	10⅜	[illegible]	[illegible]
Sterling CDs	-	-	10½	10⅜	[illegible]	[illegible]
Local Authority Deps.	10½	10½	10½	10⅞	[illegible]	[illegible]
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	11	10⅝	-	-	-	-
Company Deposits	-	-	10⅝	10⅝	[illegible]	[illegible]
Finance House Deposits	-	-	10⅝	10⅝	[illegible]	[illegible]
Treasury Bills (Buy)	-	-	10¼	9⅞	[illegible]	[illegible]
Bank Bills (Buy)	-	-	10¼	10	[illegible]	[illegible]
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	5.10	5.20	5.2[illegible]	[illegible]
SDR Linked Dep. Offer	-	-	7	7	[illegible]	[illegible]
SDR Linked Dep. Bid	-	-	6¾	6¾	[illegible]	[illegible]
ECU Linked Dep. Offer	-	-	9⅝	9⅝	[illegible]	[illegible]
ECU Linked Dep. Bid	-	-	9⅜	9⅝	[illegible]	[illegible]

Treasury Bills (sell); one-month 10⅛ per cent; three months 9⅞ per cent; six months [illegible] Bank Bills (sell); one-month 10⅜ per cent; three months 9⅞ per cent; Treasury Bills; Average tender rate of discount 9.9839 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day October 31, 1991. Agreed rates for period Nov.26, 1991 to December 24, 1991, Scheme I: 11.68 p.c., Schemes II & III: 11.68 p.c. Reference rate for period October 1, 1991 to October 31, 1991, Scheme IV&V: 10.447 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 from September 1, 1991: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7 per cent; one-three months 9½ per cent; three-six months 9¼ per cent; six-nine months 9 per cent; nine-twelve months 9 per cent; Under £100,000 7 per cent from Sept 5, 1991. Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

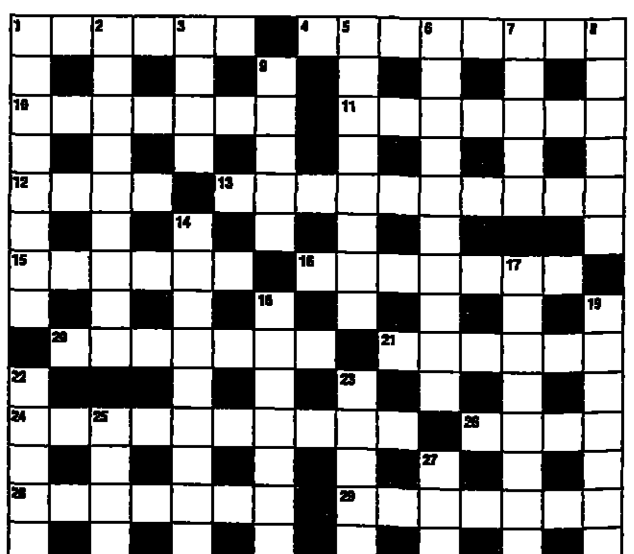
Money Market Bank Accounts

[illegible]

JOTTER PAD

CROSSWORD

No.7,687 Set by HIGHLANDER



ACROSS

1 Make representative furious by returning draught regulator (6)
4 Take off immediately and climb quickly (8)
10 Cues off before colour is in the bag (7)
11 Provisional route to be taken by college head (7)
12 Cutting remark about key French novelist (4)
13 Ballet involving madman and beautiful girl (10)
15 They say 'e tastes 'ere a life-enhancing potion (6)
16 Don't move prop on set (4,3)
20 Start by taking metal away (4,3)
21 Criticise places when on cruise (6)
24 To avoid embarrassment I select dry version (10)
26 Defensive position did battle, it's said, for a short time (4)
28 Expedition authorised for group of three (7)
29 The difference between bishop and Church is boy's name (7)
30 Her dad is involved with old fogeys (8)
31 Robber forbidden to hear it (6)

DOWN

1 Thought it fitting for one to accept son as planned (8)
2 Club has to eliminate oriental vegetable assortment (9)
3 Attention given to first Labour member of lords (4)
5 Impose a limit on a financial centre's function (8)
6 Spot the French copper getting a lift to very violent event (10)
7 In volume, river is a small stream (5)
8 Flag after two points are complete (6)
9 A pervasive quality about something in our act (5)
14 Pantomime part recalled in Variety (10)
17 Girl began to appear for audience naked (9)
18 Pretended to be deeply moved (8)
19 Indisposed to deal with abuse (8)
22 Rewritten to show it as part of original deed (6)
23 Irons suit (5)
25 An instrumental composition agreeable to the ear (5)
27 Take part of Miss Marple – apparently by request (4)

Solution to Puzzle No.7,686

P	O	I	N	T	S	■	T	H	O	U	S	A	N	D
A	■	N	■	R	■	■	■	A	■	T	■	U	■	I
L	A	S	H	E	D	■	P	R	E	T	E	N	C	E
I	■	T	■	A	■	B	■	D	■	E	■	T	■	S
S	T	A	R	T	E	R	S	■	C	R	U	I	S	E
A	■	N	■	Y	■	A	■	S	■	I	■	E	■	L
D	O	C	K	■	A	G	R	O	U	N	D	■	■	■
E	■	E	■	A	■	G	■	A	■	G	■	C	■	F
■	■	■	F	I	R	E	A	R	M	■	M	A	C	E
S	■	P	■	R	■	D	■	D	■	A	■	R	■	A
A	F	R	I	C	A	■	S	E	A	F	A	R	E	R
C	■	I	■	R	■	A	■	R	■	F	■	I	■	L
R	A	S	C	A	L	L	Y	■	S	O	L	A	C	E
E	■	O	■	F	■	T	■	■	■	R	■	G	■	S
D	O	N	A	T	I	O	N	■	I	D	L	E	R	S

WORLD STOCK MARKETS

AUSTRIA

October 31	Sch.	+ or −
Austrian Airlines	2,320	−10
Creditanstalt	468	−3
EA General	2,970	−30
EVN	761	−2
Jungbunzlauer	9,800	−220
OeMV	961	−11
Perlmooser Zement	1,510	+155
Radex Heraklith	459	+13
Reininghaus Brau	2,070	+490
Steyr Daimler	249	−17
Veitscher Magnesit	331	+2
Verbund (Br) A	472	+5
Wienerberger	4,540	−90
Z-Laenderbank		−937

BELGIUM/LUXEMBOURG

October 31	Frs.	+ or −
ACEC-Union Min	2,040	....
Arbed	4,165	+40
BBL	2,830	+10
Bank Intl a Lux	10,900	....
Banq Gen Lux Pts	12,200	....
Barco	1,038	+2
Bekaert	9,590	....
CBR Ciment	7,570	−80
Cobepa	4,950	+10
Cobepa AFV 1	4,860	....
Cockerill Priv	162	−2
Colruyt	3,920	−10
Delhaize Frs Lion	7,680	+10
Electrabel	4,550	+5
Electrabel AFV	4,490	+10
Electrafina ACT	2,730	+10
Fabrique Nat	51	....
GBL	3,370	−30

FRANCE (continued)

October 31	Frs.	+ or −
Bancaire Cie	518	+10
Beghin-Say	600	....
Beghin-Say Cert Inv	490	+25
Bongrain	2,583	−69
Bouygues	586	+5
CGIP	1,015	+10
C M B Packaging	147.80	−0.70
Canal+	1,080	....
Cap Gemini S	290	+10
Carrefour	2,099	+9
Casino	156.10	−0.90
Cetelem	670	+24
Chargeurs	991	+9
Club Mediterranee	423	−17
Cogifi	359.50	+9.50
Coparex	595	....
C C F	170	+0.80
Cr Fonc France	1,018	+2
Cred Lyon (CI)	542	+8
Credit National	1,160	+15
Damart	2,195	....
Docks de France	367	....
Dollfus Mieg Cie	302	....
EBF	750	....
Eaux Cie Genl	2,416	−4
Ecco	384	−1
Elf-Aquitaine	409	−3.50
Elf-Aquitaine Certs	272	+0.90
Essilor Int	332.50	−1.40
Etex	1,749	−48
Eurafrance	1,455	+14
Eurocom	656	−4
Euro Disney	137	....
Exor	1,156	−9
Finextel	125	−1
Fonc Lyonnaise	600	....
From C et Aux	2,500	−74

INDICES

NEW YORK

DOW JONES	Oct 30	Oct 29	Oct 28	Oct 25	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
ϕIndustrials	3071.78	3061.94	3045.62	3004.92	3077.15 (18/10)	2470.30 (9/1)	3077.15 (18/10/91)	41.22 (2/7/32)
Home Bonds	97.20	97.02	96.97	96.87	97.55 (18/10)	91.30 (16/1)	97.55 (18/10/91)	54.99 (1/10/81)
Transport	1282.32	1274.48	1266.07	1244.96	1287.56 (18/10)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	216.57	215.01	214.45	213.51	220.89 (16/4)	195.17 (10/7)	236.23 (2/1/90)	10.50 (8/4/32)

ϕDay's High 3090.12 (3077.82) Low 3038.24 (3020.13)

STANDARD AND POOR'S

	Oct 30	Oct 29	Oct 28	Oct 25	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	392.96	391.48	389.52	384.20	396.64 (28/8)	311.49 (9/1)	396.64 (28/8/91)	4.40 (1/6/32)
Industrials	463.60	462.61	460.61	454.37	472.01 (29/8)	364.90 (9/1)	472.01 (29/8/91)	3.62 (21/6/32)
Financial	32.12	31.63	31.34	30.75	32.24 (14/8)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	216.48	215.58	214.44	211.82	217.17 (28/8)	170.97 (9/1)	217.17 (28/8/91)	4.46 (25/4/42)
Amex Mkt. Value	384.18	381.62	379.29	376.43	384.18 (30/10)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	541.32	534.51	529.41	525.13	541.32 (30/10)	355.75 (14/1)	541.32 (30/10/91)	54.87 (31/10/72)

	Oct 25	Oct 18	Oct 11	year ago (approx.)
Dow Industrial Div. Yield	3.09	3.00	3.10	4.17
	Oct 23	Oct 16	Oct 9	year ago (approx.)
S & P Industrial div. yield	2.73	2.69	2.81	3.42
S & P Indl. P/E ratio	21.17	21.44	20.53	14.86

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
RJR Nabisco	5,337,900	10⅛	- ⅛
Citicorp	3,453,000	11⅜	+ ⅛
Chrysler	3,269,600	12¼	+ 1⅝
BET	3,129,200	23½	---
Glaxo	2,772,500	56¼	+ ⅞
Amer Express	2,264,200	19⅝	+ ½
Philip Morris	2,258,300	69½	+ ¾
Pepsico	1,909,900	28⅝	+ ⅜
Am T & T	1,834,400	38½	- ¼
Compaq Com	1,739,100	27¾	- ½

TRADING ACTIVITY

† Volume Millions	Oct 30	Oct 29	Oct 28
New York SE	195.340	192.700	160.220
Amex	14.265	18.036	12.273
NASDAQ	202.586	182.345	145.912
NYSE			
Issues Traded	2,149	2,138	2,098
Rises	981	1,024	999
Falls	655	606	598
Unchanged	513	508	501
New Highs	125	99	60
New Lows	14	20	22

CANADA

TORONTO	Oct 30	Oct 29	Oct 28	Oct 25	1991 HIGH	1991 LOW
Metals & Minerals	3004.25	3001.05	2967.09	2965.83	3299.99 (18/7)	2632.06 (9/1)
Composite	3497.60	3485.42	3455.84	3434.17	3582.07 (7/6)	3161.95 (15/1)
MONTREAL Portfolio	1855.00	1848.02	1830.19	1815.84	1903.86 (7/6)	1686.89 (9/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Oct 31	Oct 30	Oct 29	Oct 28	1991 HIGH	1991 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1683.0	1663.7	1661.7	1642.8	1683.0 (31/10)	1204.5 (16/1)
All Mining (1/1/80)	672.6	664.5	666.0	665.9	707.2 (24/7)	561.6 (16/1)
AUSTRIA						
Credit Aktien (30/12/84)	387.12	389.73	399.61	401.34	534.81 (16/4)	387.12 (31/10)
BELGIUM						
BEL20 (1/1/91)	1101.03	1102.15	1104.49	1104.31	1212.15 (17/4)	917.59 (17/1)
DENMARK						
Copenhagen SE (3/1/83)	366.70	367.26	366.94	365.31	380.04 (2/8)	302.26 (8/1)
FINLAND						
HEX General (28/12/90)	836.7	833.8	836.9	836.7	1186.9 (8/4)	833.8 (30/10)
FRANCE						
CAC General (31/12/82)	494.72	493.71	495.58	490.73	497.62 (2/10)	394.88 (15/1)
CAC 40 (31/12/87)	1856.67	1861.80	1853.50	1852.07	1887.29 (1/10)	1425.26 (15/1)
GERMANY						
FAZ Aktien (31/12/58)	652.73	656.83	655.13	647.99	717.43 (17/6)	570.48 (15/1)
Commerzbank (1/12/53)	1836.90	1849.5	1843.9	1822.6	2035.2 (31/5)	1612.5 (15/1)
DAX (30/12/87)	1582.06	1582.83	1590.75	1576.81	1715.80 (11/6)	1311.82 (16/1)
HONG KONG						
Hang Seng Bank (31/7/64)	4038.74	4020.04	4000.05	3988.60	4093.41 (3/10)	2984.01 (16/1)
IRELAND						
ISEQ Overall (4/1/88)	1431.97	1431.27	1431.87	(c)	1530.65 (15/3)	1114.86 (25/1)
ITALY						
Banca Com. Ital. (1972)	515.65	512.91	514.25	518.27	619.38 (3/6)	486.26 (29/1)
JAPAN						
Nikkei (16/5/49)	25222.28	24981.18	25148.61	24901.72	27146.91 (18/3)	21456.76 (19/8)
Tokyo SE (Topix) (4/1/68)	1887.45	1877.81	1886.07	1875.57	2028.85 (18/3)	1625.00 (17/1)
2nd Section (4/1/68)	2856.16	2852.88	2853.27	2849.56	3423.45 (10/5)	2473.52 (24/1)
MALAYSIA						
KLSE Composite (4/4/86)	531.40	530.30	534.69	535.43	635.02 (29/5)	470.41 (16/1)
NETHERLANDS						
CBS Ttl Rtn Gen (End 1983)	278.8	279.5	279.9	279.8	284.8 (5/6)	221.4 (16/1)
CBS All Shr (End 1983)	195.5	196.6	196.8	196.8	203.1 (5/6)	162.3 (16/1)
NORWAY						
Oslo SE Ind (2/1/83)	714.95	715.79	721.12	719.16	793.53 (26/8)	610.45 (21/1)
PHILIPPINES						
Manila Comp (2/1/85)	1025.30	1021.38	1009.56	1007.09	1183.40 (29/5)	582.64 (10/1)
SINGAPORE						
SES All-Singapore (2/4/75)	387.51	386.10	387.11	385.63	422.43 (26/4)	315.07 (16/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1175.04	1203.0	1176.0	1187.0	1469.0 (5/7)	971.0 (25/2)
JSE Industrial (28/9/78)	4263.04	4269.0	4195.0	4161.0	4269.0 (30/10)	2829.0 (16/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	695.94	700.38	694.45	693.09	763.10 (6/8)	590.57 (22/6)
SPAIN						
Madrid SE (30/12/85)	263.77	264.64	264.77	265.38	289.22 (18/3)	213.70 (14/1)
SWEDEN						
Affärsvärlden Gen. (1/2/37)	1015.70	1014.3	1005.4	995.8	1149.8 (11/7)	888.4 (8/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	753.8	757.8	760.6	761.2	769.2 (29/8)	598.4 (14/1)
SBC General (1/4/87)	609.4	611.6	613.9	614.3	638.0 (31/5)	487.1 (14/1)
TAIWAN**						
Weighted Price (30/6/66)	(c)	4389.86	4364.45	4381.69	6305.22 (9/5)	3316.26 (15/1)
THAILAND						
Bangkok SET (30/4/75)	638.84	638.21	627.02	624.93	908.13 (19/4)	582.48 (16/1)
WORLD						
M.S. Capital Intl (1/1/70) ($)	523.7*	522.7	519.5	516.4	529.2 (17/4)	439.1 (16/1)

**Saturday October 26: Taiwan Weighted Price: (c) Korea Comp Ex. 701.81.
Δ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Thursday, 30 October, 1991

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Honshu Paper	5.3m	960	-7	Nippon Express	3.7m	865	-5
Niigata Eng	5.3m	798	+17	Tokyu Corp	3.6m	1,070	+60
Olympus Optical	4.9m	1,550	+50	Okumura	3.6m	1,610	+40
Meiji Milk Prods	4.3m	1,150	0	Kyudenko	3.3m	2,980	+80
Toyo Tire & Rbr	4.3m	1,020	-20	Japan Storage B	3.0m	1,170	-50

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

2:45 pm prices October 31

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16 7/8	9 1/4	AAR Corp x	0.48	0.03	19	280	14 1/8	14	14 1/2	
20 3/4	14 1/2	A L Labs A	0.16	0.01	23	932	u21 1/8	20 3/4	20 7/8	+1/4
56 1/4	40 7/8	AMP Inc x	1.44	0.03	90	1883	53	51 1/2	52 5/8	+7/8
68 5/8	44 1/4	AMR				123822	63 5/8	62 3/4	63 1/8	-1/2
2 5/8	1	ARX			1	386	1 5/8	1 1/2	1 1/2	-1/8
56	41 1/2	ASA	3.50	0.07	13	165	48 1/8	47 3/4	47 3/4	-1/4
58 7/8	39 1/4	Abbott Lab	1.00	0.02	23	2593	58 5/8	58 1/8	58 1/2	
14 5/8	9 7/8	Abitibi Pr	0.50	0.04	25	32	14	13 7/8	14	
11 7/8	10 3/8	ACM Gvt In	1.28	0.12		502	10 7/8	10 3/4	10 3/4	
9 1/4	8 1/4	ACM GvOpp	1.01	0.11		351	9 1/2	9 1/4	9 3/8	+1/8
9 1/2	8 1/4	ACM Gvt Sp x	1.01	0.11		823	9 1/8	9	9 1/8	
11	9 7/8	ACM Gvt Sc x	1.26	0.12		306	10 1/2	10 3/8	10 3/8	
9	7 5/8	ACM Man	1.01	0.11		272	8 7/8	8 3/4	8 7/8	
12 7/8	11 1/2	ACM Managd	1.35	0.10		51	12 3/4	12 5/8	12 3/4	+1/8
7 1/2	4 3/4	Acme Cleve x	0.40	0.06	17	42	6 1/2	6 1/4	6 1/2	+3/8
6	3 1/8	Acme Electr			43	5	4 1/8	4 1/8	4 1/8	-1/8
40	22 1/4	Acuson			89	349	36 1/4	35 1/2	36 1/8	+7/8
19 1/4	14 1/4	Adams Expr	0.73	0.04	0	68	u19 3/8	19 1/8	19 1/4	+1/8
20 1/8	17 1/2	Adobe1.3Pf x	2.40	0.12		13	19 1/4	18 7/8	19 1/4	+1/4
9 1/4	6 5/8	Adobe Res			48	66	7 1/4	7 1/8	7 1/4	+1/8
38 1/8	18	Ad Micro				546	35 1/2	34 3/4	35 1/2	+1 3/4
14 1/4	4 5/8	Ad Micro P	3.00	0.24	97	5814	12 5/8	12 1/4	12 5/8	+1 1/2
5 1/8	2 1/4	Adveat Grp	0.16	0.04	5	5	3 7/8	3 7/8	3 7/8	
49 1/8	31 7/8	Aetna Lf x	2.76	0.07	37	1155	39 3/8	39	39 1/4	-1/8
10 5/8	6 5/8	Affil A x	0.24	0.03	55	858	8 1/4	8 1/8	8 1/4	+1/8
20 7/8	12	Ahmanson x	0.88	0.05	10	1314	16 5/8	16 1/8	16 1/4	-3/8
17	2 7/8	Aileen Inc			16	377	16 5/8	16 1/4	16 1/2	+3/8
74 1/8	51 1/8	Air Pr Chm	1.56	0.02	16	710	69	68 1/2	68 1/2	-5/8
30	16 5/8	Airbne Frt	0.30	0.01	64	70	25 7/8	25 5/8	25 5/8	+1/8
21 1/4	12 1/2	Airgas Inc			112	100	20 1/2	20 1/4	20 1/4	-1/8
15 1/4	10	Airlease	1.68	0.14	6	70	12 1/4	12	12 1/4	
98	88 1/4	AlaPw8.16 x	8.16	0.08		4	u98	98	98	+3/4
25 1/8	21 1/8	AlaPw PfA	2.00	0.08		11	u25 1/8	25 1/8	25 1/8	

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

- S -

- T -

- U -

- V -

- W -

- X - Y - Z -

Price data supplied by Telekurs.

NASDAQ NATIONAL MARKET

2:00 pm prices October 31

- X - Y - Z -

Stock	Div.	E	Sls 100s	High	Low	Last	Chng
Xilinx		30	1981	27¼	26½	26¾	+¼
XL Data		32	2	10⅞	10⅝	10⅝	+⅛
Xoma Corp		10	7105	20¾	20	20⅛	-⅛
Yellow Fr x	0.94	16	1602	32	31¼	31½	
York Rsch		69	590	8½	8⅛	8⅛	+¼
ZionsUtah	1.44	9	4	47	47	47	

AMEX COMPOSITE PRICES

2:00 pm prices October 31

AMERICA

Jobs data cushion Dow's fall on economic doubts

Wall Street

DOUBTS ABOUT whether the latest easing of monetary policy by the Federal Reserve would do much economic good left share prices slightly weaker across the board yesterday morning. However, a better-than-expected jobless claims report helped keep losses to a minimum, *writes Patrick Harverson in New York.*

By 1 pm the Dow Jones Industrial Average was down 7.16 at 3,064.62. The more broadly based Standard & Poor's 500 was also weaker, down 1.08 at 391.88, while the Nasdaq composite of over-the-counter stocks added to Wednesday's record high, rising 0.32 to 541.64. Volume on the NYSE was heavy at 101m shares, and declines outpaced rises by 728 to 701.

Uncertainty over the direction of Fed monetary policy continued to unsettle the stock market. Although analysts agreed that, in allowing the Fed funds rate to drop to near 5 per cent, the Fed had eased policy, investors remained confused about whether any action had been taken and, even if it had, whether it would have much of an impact on the sluggish economy.

The only piece of good news was a 47,000 decline in the number of people claiming state unemployment insurance during the middle of October. Even that figure, however, was not all that it seemed; economists pointed out that the reporting period included the Columbus Day holiday, which would have distorted the overall number.

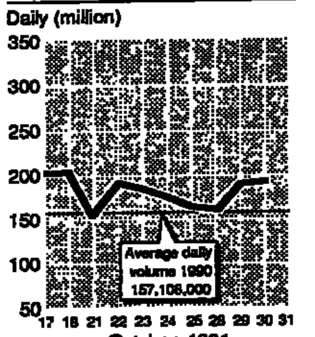
Among individual issues, UAL fell $2¾ to $132 after the airline, one of the biggest in the US, surprised the market with third quarter profits of just $1.05 a share, well down on last year's $4.87 a share and some way below analysts' estimates. The figures had a knock-on effect elsewhere in the airline sector, with Delta dropping $⅞ to $62⅝ and AMR, parent group of American Airlines, losing $⅝ to $63¼.

Seagram rose $⅝ to $113⅝ after announcing that it was selling seven distilled spirits brands for $372.5m to the Jim Beam division of American Brands, which edged $¼ higher to $42¼ on the news.

Data General fell $3⅛ to $17⅞ in 1.2m shares after disappointing the market with fourth quarter fiscal profits of 50 cents a share, compared with a loss a year ago of $2.93 a share.

On the over-the-counter market Borland International jumped $7⅞ to $65 in 2m shares after several analysts made positive comments about the stock.

NYSE volume



Canada

TORONTO stocks climbed at midday following a number of third quarter earnings reports. The composite index rose 14.6 to 3,512.2. Advancing issues led declines by 249 to 192 on volume of 16m shares valued at C$184m.

Imasco jumped C$⅝ to C$35¼ after reporting earnings in line with expectations.

Among active issues, Chancellor Energy rose 7 cents to 50 cents, Ranger Oil firmed C$⅛ to C$9⅝, Thomson Corp was flat at C$15⅝ and Saskatchewan Oil and Gas was unchanged at C$9⅛.

Inco rose C$1¼ to C$37⅞. London nickel prices rose moderately in quiet trade on talk that a leading Canadian producer was planning to cut production.

ASIA PACIFIC

Bank of Japan governor's comments spark late rally

Tokyo

SHARE PRICES turned higher yesterday on active index-linked buying late in the session, on expectations of an imminent cut in the official discount rate, *writes Emiko Terazono in Tokyo.*

The Nikkei average closed 241.10 up at 25,222.28 after a day's low of 24,957.27 and high of 25,222.78. The index fell on light profit-taking in the morning, but rose later on bargain hunting and remained firm for the rest of the day. The rally was reinforced in the last 10 minutes of trading by reports that Mr Yasushi Mieno, governor of the Bank of Japan, had said that the central bank saw a discount rate cut as the next step in its monetary policy.

Volume, however, remained light with 300m shares changing hands, after 320m the previous day. Gains led losses by 509 to 456, with 180 issues unchanged. The Topix index of all first section stocks advanced 9.64 to 1,887.45, but in London trading the ISE/Nikkei 50 index slipped 5.96 to 1,425.81.

Mr Mieno's comments excited market participants; trading has been quiet recently in the absence of news or fresh incentives. "The slowing economy is already built into the prices," said Mr Phillip Dodds, strategist at S.G. Warburg.

Bargain hunting boosted electrical issues, which have been hurt by the year-on-year declines in interim results among leading electrical companies. NEC put on Y30 to Y1,290 and Hitachi was Y20 firmer at Y1,020.

Electrical engineering companies rose on expectations of favourable business results for the first half. Chudenko, which added Y230 at Y4,950, recently revised upwards its profits for the year to Y26.5bn, a 16 per cent year-on-year rise. Kyudenko gained Y90 to Y2,960.

Niigata Engineering, the machine engineering concern, moved up Y17 to Y798 on forecasts of rising orders for the company's oil refining facilities and energy-related equipment.

Toyobo, the fibre maker, receded Y7 to Y530. The issue has been weak on the Osaka District Court's order to suspend production of a blood clot-dissolving agent after a patent claim by Genentech, the US chemical maker.

The Industrial Bank of Japan shed Y20 to Y3,480 after reports that Daishowa Paper will sell off IBJ shares as part of a restructuring plan.

In Osaka, the OSE average lost 148.85 to 27,126.05 on volume of 21.9m shares. Small-lot selling of speculative stocks pushed the index down. Ono Pharmaceutical fell Y160 to Y6,370 on profit-taking.

Roundup

A PROFITS warning held down New Zealand, while the rest of the region was firmer. Taiwan was closed.

NEW ZEALAND closed narrowly mixed after Fletcher Challenge rebounded from an early plunge that was triggered by a prediction of a profits fall and possible dividend cut. The NZSE-40 index ended 1.86 off at 1,544.94 after recovering from a day's low of 1,537.44. Turnover came to NZ$32.2m (NZ$30.4m).

Fletcher Challenge fell 17 cents after its chairman told shareholders that 1991-92 profits after tax was likely to fall 28 per cent to NZ$400m and that dividend policy was under review. But the stock recovered partially to close 8 cents down at NZ$3.49.

Brierley Investments was the day's most active stock as it appreciated 5 cents to NZ$1.11. Foreign buying lifted volume to a heavy 4.1m shares.

AUSTRALIA was flooded with Asian and domestic buyers, who shrugged off a worse than expected September current account deficit as hopes remained high of a reduction in official interest rates. The All Ordinaries index climbed 19.2 to 1,682.9. Turnover rose to A$396m from A$226m.

BHP gained 46 cents to a record A$15.24, while CRA leapt 59 cents to A$13.60.

HONG KONG enjoyed modest gains on hopes of a US interest rate cut, although profit-taking pulled the market off its highs. The Hang Seng index rose 18.70 to 4,038.74 in steady turnover of HK$1.18bn.

KUALA LUMPUR firmed but finished below the day's best in the run-up to today's budget. The composite index added 1.10 at 531.40 in volume of 33m shares, up from 26m. SINGAPORE rose on bargain hunting, particularly in low-priced Malaysian shares before the budget. The Straits Times Industrial index gained 4.61 to 1,407.11 but turnover shrank to S$65m from S$105m.

MANILA was again lifted by early demand for San Miguel and Philippine Long Distance Telephone. The composite index firmed 3.92 to 1,021.30 in turnover of 71m pesos, up from 74m pesos.

San Miguel finished at 61.50 pesos, down 0.50, as profit-taking set in, but PLDT rose another 22.50 pesos to 670. The market is shut today.

SOUTH AFRICA

JOHANNESBURG gold shares closed lower as the gold price eased to around $357. The all-gold index fell 28 to 1,175 and the industrial index eased 6 to 4,263, but the all-share index added 3 to 3,526. Vaal Reefs fell R2 to R206.

Weak banking sector weighs on Norway

But Oslo has redeeming features, such as liquidity and low inflation, says Karen Fossli

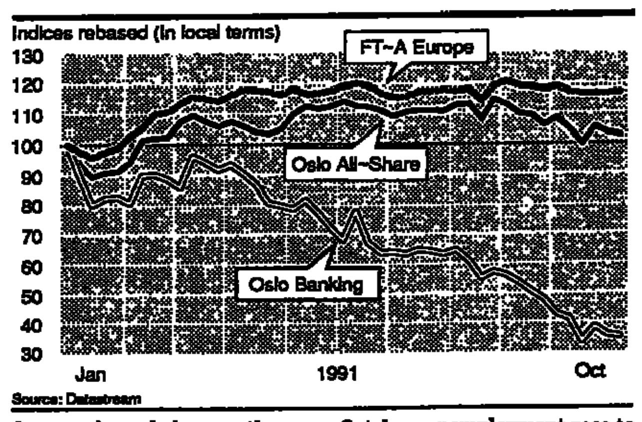
THERE ARE indications that Norwegian equities may be heading for better days, after suffering a debilitating autumn owing to the miserable condition of the banking sector.

James Capel, the London stockbroker, believes that Oslo's brief mid-October gains could herald a recovery. "We believe there are convincing arguments for a technical rally . . . and have seen the first signs of this," it says.

Compared with its Nordic cousins, the market is very liquid, turning over about 40 per cent of its market capitalisation so far this year, compared with 24 per cent in Denmark, 18 per cent in Sweden and 10 per cent in Finland.

Oslo traditionally trades in line with oil price movements. Although the bourse seemed to ignore a rise in oil prices to above $20 a barrel in September, the strength of current world crude oil prices should provide some encouragement. Oil prices currently stand above $22 a barrel, their highest level since the Gulf war.

Moreover, aluminium prices have rebounded recently on the news of capacity cutbacks, and shipping rates are showing seasonal strength, argues James Capel.



Source: Datastream

Norway's economy also looks strong, with inflation declining to less than 3 per cent. But there are some negative points: the savings ratio is high, as the private sector chooses to reduce debt rather than embark on a spending spree, and the number of people out of work is growing. In October, unemployment rose to 7.8 per cent of the workforce, including those on government job schemes, from 7.5 per cent in September.

The real cloud hanging over Oslo, however, is the banking sector. This group has restricted gains in the Oslo all-share index to 2.58 per cent this year, and contributed to falls of 5.66 per cent in September and 4.85 per cent last month. The bank index itself dropped 17.11 per cent last month, and has fallen 65.11 per cent this year.

Den norske Bank, Christiania Bank and Fokus Bank, the three biggest banks, have all received huge injections of capital from the state or from the guarantee fund of the commercial banks. Their credit losses have swelled over the last four years and are now alarmingly high.

James Capel, however, believes that the government's recent commitment to provide a NKr11.5bn ($1.7bn) rescue package for the banking system, combined with a new tax law and an influx of new funds, could prompt a bourse revival.

The changes in the tax law from 1992 will make investment in equities more attractive by removing an incentive to hold on to shares for three years in order to avoid tax. "Furthermore, it is in the interest of domestic players to see higher average prices in November and December 1991, as it will be on these that future tax liabilities will be calculated," says James Capel.

The sources of the new funds, which are expected to give the market a fillip, include National Insurance Fund, which was recently given permission to invest 10 per cent of its NKr58bn assets in equities. So far, out of the NKr5.8bn available, it has invested an estimated NKr600m.

Den norske Bank (DnB), however, sounded a warning for the bourse yesterday, when it announced that plans for a share issue to raise NKr2.2bn in November had been postponed until the middle of next year. DnB's "A" shares hit a low on October 14 of NKr11, but had rebounded to NKr40 by October 21. Yesterday, they closed at NKr25.50.

Other sectors of the stock market have enjoyed better fortunes this year. The shipping index, for example, has increased 20.79 per cent so far this year, with Bergesen DY seeing its "A" shares forge ahead 51 per cent. Bergesen's shares gained 10 per cent between October 15 and October 21 alone, rising from NKr159 to NKr175, before closing yesterday at NKr170.

EUROPE

Continent winds down before All Saints' Day

CONTINENTAL trading was quiet yesterday, as several bourses wound down before today's closure for All Saints' Day, *writes Our Markets Staff.*

PARIS, one of the bourses due to shut today, traded within a narrow, 12-point range before finishing slightly weaker. The CAC 40 index ended 5.13 down at 1,856.67 in thin trading worth about FFr1.6bn after the previous day's moderately active FFr2.4bn.

Wednesday's news that the Christian Dior fashion house will be listed on the cash market next month boosted shares in related companies. Bon Marché, regarded as cheap by some analysts, gained FFr31 or 3.6 per cent to FFr881, while LVMH rose to a day's high of FFr4,288, before finishing FFr7 up at FFr4,235 in volume of 25,730 shares.

Euromarché was suspended at FFr4,300, Wednesday's closing price. Its parent, Carrefour, is to buy in the minority.

Rhône-Poulenc continued to firm after this week's results from its US arm. The certificates gained FFr7 to FFr472.

Peugeot gained FFr8 to FFr616 in 125,325 shares, after lower-than-expected Chrysler losses. Total rose FFr10 to FFr963; the oil group is to be added to the CAC 40 index on December 2, when Arjomari-Prioux is removed.

FRANKFURT ended little changed in dull trading. The real-time DAX index was stuck in a seven-point range before closing 0.77 lower at 1,582.06. The FAZ index, calculated at midsession, eased 4.1 to 652.73, reflecting the fall in the latter part of Wednesday's session. Volume eased to DM3.7bn from DM5.2bn.

There was little movement in the market leaders and any rises in second-liners were attributed to light buying for month-end valuation purposes. AMB, the insurer, saw its ordinary shares gain DM52 to DM820 while, in the steel sector, Hoesch rose DM8 to DM260.

Hugo Boss, the men's wear manufacturer, saw its ordinary shares jump DM23 to DM835 on reports that the founding Holy brothers were trying to buy back the company from the Japanese entrepreneur, Akira Akagi, which owns 68 per cent.

MILAN was relieved that the settlement of the October trading account went smoothly. The Comit index added 2.74 to 515.65 in turnover estimated at more than Wednesday's L84bn.

But the market failed to build on early gains. Fiat rose L97 to L4,907 but then slipped to L4,880 after hours. Pirelli rose L44 to L1,800, lifted by hopes that it would merge with Continental of Germany by the end of the year.

Generali added L160 to L25,210 ahead of its announcement that 99.9 per cent of its large L1.75 trillion warrants issue had been taken up. Generali also said that 41 per cent of those shareholders who had taken up the warrants had already converted them into Generali shares.

AMSTERDAM was depressed by weakness in the domestic bond market and the dollar. The CBS Tendency index fell 0.5 to 89.4 in light turnover of Fl 429.9m.

Akzo, the chemical group, bucked the downward trend after reporting a smaller-than-expected drop in third-quarter results. The stock closed at the day's high of Fl 122.80, up Fl 1.80. But fellow chemicals group DSM fell another 40 cents to Fl 99 in the wake of its poor third quarter results issued the previous day.

Elsewhere, the steel group, Hoogovens, fell Fl 2.60 to Fl 46.10 after saying that it expected to make a loss in 1991. In the publishing sector, Elsevier lost Fl 1.60 to Fl 91.80 on profit-taking after its recent strength and VNU slipped 10 cents to to Fl 73.10, after an uninspiring presentation to investors in London yesterday.

MADRID eased in another quiet day's trading. The general index slipped 0.87 to 263.77 in turnover of about Pta10bn, down from Pta12bn.

In the bank sector, BBV fell Pta65 to Pta2,870 in volume of 116,281 shares. The stock has fallen Pta130 so far this week.

ZURICH declined in quiet trading, on concern about interest rates and the weak dollar, which affected sentiment in the industrial sector. The Crédit Suisse index fell 1.6 to 491.0.

Brown Boveri bearers fell SFr70 to SFr4,080 on selling said to be connected with the expiry of warrants.

STOCKHOLM was little changed as trading slowed ahead of today's half-day holiday. The Affärsvärlden General index added 1.4 to 1,015.7 as volume slipped to SKr286m from SKr317m.

Skandia free shares fell SKr5 to SKr188 on uncertainty about the effect on the company of S-E-Banken's option on 28 per cent of the company and Norwegian insurer UNI Storebrand's 18.3 per cent stake.

BRUSSELS was steady in active trading, boosted by block trades in Electrabel and GIB, the retailer. The Bel20 index fell 1.12 to 1,101.03 in turnover of BFr576m.

Electrabel rose BFr5 to BFr4,550 in 31,900 shares. The utility announced an 8.3 per cent rise in first-half profits on Wednesday. GIB fell BFr6 to BFr1,264 in 22,000 shares.

FT-SE Eurotrack 100 - Oct 31

Hourly changes

Open	10 pm	11 am	Noon	1 pm	2 pm	3 pm	Close
1098.92	1099.42	1097.56	1097.37	1097.98	1097.74	1096.56	1096.45

Day's High 1099.51 Day's Low 1096.01

Oct 30	Oct 29	Oct 28	Oct 25	Oct 24
1101.22	1099.96	1097.04	1091.25	1093.89

Base value 1000 (26/10/90)

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY OCTOBER 30 1991								TUESDAY OCTOBER 29 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (69)	157.13	+0.1	133.66	130.12	136.31	133.51	+0.7	4.58	156.90	135.05	129.68	137.90	132.59	158.25	112.74	123.31
Austria (20)	155.33	−0.9	132.13	128.63	134.75	135.98	−1.8	2.10	156.70	134.88	129.52	137.73	138.51	222.37	154.82	198.16
Belgium (47)	130.10	+0.4	110.66	107.72	112.85	111.17	−0.1	5.33	129.61	111.56	107.12	113.91	111.23	151.20	118.04	138.05
Canada (114)	141.18	+0.2	120.08	116.90	122.45	114.75	+0.2	3.26	140.84	121.22	116.39	123.77	114.52	142.27	126.49	123.06
Denmark (37)	257.22	+1.4	218.79	213.00	223.13	226.61	−0.2	1.56	253.79	218.45	209.76	223.06	227.13	270.56	217.74	256.54
Finland (15)	85.30	+1.4	72.55	70.64	73.99	73.39	+0.0	3.32	84.13	72.41	69.53	73.94	73.42	125.15	83.69	101.53
France (109)	142.09	+1.7	121.37	118.15	123.76	127.83	+0.5	3.48	140.26	120.72	115.91	123.26	126.94	152.26	119.11	140.04
Germany (65)	108.83	+1.6	92.57	90.13	94.40	94.40	+0.3	2.40	107.09	92.18	88.52	94.12	94.12	125.35	94.15	114.09
Hong Kong (55)	165.48	+0.8	140.76	137.03	143.55	165.05	+0.7	4.41	164.21	141.34	135.72	144.33	163.88	169.98	119.62	121.93
Ireland (18)	160.02	+1.2	136.11	132.51	138.81	141.14	+0.3	3.55	158.13	136.10	130.69	138.96	140.71	182.46	132.86	160.22
Italy (77)	68.74	+0.9	58.47	56.92	59.62	64.17	−0.2	3.61	68.13	58.64	56.30	59.87	64.32	88.23	64.76	84.87
Japan (474)	141.34	−0.7	120.22	117.04	122.62	117.04	−0.5	0.72	142.36	122.53	117.65	125.13	117.65	146.97	118.23	135.72
Malaysia (68)	201.75	−0.6	171.61	167.06	175.01	213.68	−0.8	2.89	202.87	174.61	167.66	178.29	215.33	247.78	189.18	203.23
Mexico (16)	1317.83	+0.4	1120.94	1091.26	1143.15	4323.98	+0.4	1.22	1312.06	1129.31	1084.41	1153.15	4305.04	1336.04	534.45	551.06
Netherland (31)	142.46	+1.1	121.18	117.97	123.58	122.24	−0.1	4.41	140.87	121.25	116.43	123.81	122.42	145.73	125.70	133.64
New Zealand (14)	49.17	+0.8	41.82	40.72	42.65	47.01	+0.8	6.18	48.76	41.97	40.31	42.86	46.62	54.64	41.18	50.15
Norway (30)	188.59	−0.2	160.42	156.17	163.60	166.44	−1.0	1.53	188.91	162.60	156.14	166.04	170.07	223.24	178.58	235.26
Singapore (38)	197.20	−0.5	167.74	163.30	171.06	153.99	−0.7	2.24	198.13	170.53	163.75	174.13	155.03	208.25	151.63	162.77
South Africa (61)	260.65	+1.0	221.70	215.83	226.09	177.76	+1.6	2.74	258.03	222.09	213.25	226.77	174.89	260.65	173.00	164.61
Spain (53)	153.91	+0.9	130.91	127.45	133.51	122.89	+0.0	4.46	152.52	131.28	126.06	134.05	122.94	171.12	131.51	146.42
Sweden (25)	187.44	+1.7	159.43	155.22	162.60	169.06	+0.6	2.64	184.35	158.67	152.37	162.03	168.04	204.12	146.60	172.25
Switzerland (59)	95.46	+0.7	81.20	79.05	82.82	86.55	−0.3	2.23	94.76	81.56	78.32	83.29	86.80	100.67	82.17	89.98
United Kingdom (240)	180.13	+2.1	153.21	149.14	156.23	153.21	+0.9	4.63	176.49	151.90	145.85	155.10	151.90	187.44	156.27	159.72
USA (526)	159.75	+0.5	135.88	132.29	138.58	159.75	+0.5	3.03	159.01	136.87	131.43	139.76	159.01	161.02	125.95	122.43
Europe (826)	141.04	+1.6	119.96	116.79	122.35	121.86	+0.4	3.94	138.81	119.47	114.72	122.00	121.33	151.52	125.50	135.48
Nordic (107)	184.61	+1.3	157.03	152.87	160.14	158.33	+0.0	2.04	182.24	156.86	150.62	160.17	158.30	200.81	155.55	183.77
Pacific Basin (718)	141.91	−0.6	120.71	117.51	123.10	118.52	−0.4	1.05	142.79	122.91	118.02	125.50	119.03	145.92	117.86	134.48
Euro−Pacific (1544)	141.91	+0.2	120.71	117.50	123.09	120.69	−0.1	2.20	141.66	121.84	116.99	124.40	120.80	147.66	121.29	135.24
North America (640)	158.52	+0.4	134.84	131.28	137.53	156.70	+0.4	3.04	157.81	135.83	130.44	138.72	156.00	159.66	125.91	122.38
Europe Ex. UK (586)	117.92	+1.3	100.30	97.67	102.31	103.90	+0.1	3.25	116.46	100.24	96.27	102.38	103.79	129.80	103.58	120.11
Pacific Ex. Japan (244)	147.39	+0.2	125.37	122.07	127.87	131.08	+0.4	4.21	147.09	126.55	121.53	129.23	130.61	147.60	111.40	119.11
World Ex. US (1735)	143.86	+0.3	122.37	119.14	124.80	122.11	+0.0	2.23	143.48	123.50	118.59	126.11	122.16	148.16	122.32	135.35
World Ex. UK (2021)	145.09	+0.1	123.41	120.15	125.87	131.95	+0.1	2.26	144.89	124.71	119.75	127.35	131.88	145.77	120.06	126.93
World Ex. So. Af. (2200)	147.40	+0.3	125.38	122.07	127.87	133.59	+0.1	2.52	146.92	126.46	121.44	129.14	133.44	148.66	122.92	129.63
World Ex. Japan (1787)	153.17	+0.9	130.29	126.85	132.89	143.15	+0.5	3.40	151.87	130.72	125.53	133.60	142.48	153.17	126.69	128.07
The World Index (2261)	148.15	+0.3	126.01	122.66	128.52	133.98	+0.1	2.52	147.65	127.09	122.04	129.78	133.79	149.01	123.28	129.84

Constituent change with effect 1/11/91: Addition: Dundee Bankcorp (Canada). Latest prices were unavailable for this edition.